僑雄國際控股有限公司
Kiu Hung International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 00381)

Leading the Way Towards

A BRIGHT FUTURE

ANNUAL REPORT **2019**

Contents

Corporate Information

EXECUTIVE DIRECTORS:

Mr. Zhang Qijun *(Chairman)*
Mr. Chen Jian
Mr. Liu Mingqing

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Wang Xiao Ning
Mr. Cheng Ho On
Mr. Kong Chun Wing
Mr. Lai Chi Yin, Samuel
Ms. Chen Yuxin

REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

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HONG KONG LEGAL ADVISER

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Suite 3804–5, 38/F., Central Plaza
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COMPANY'S WEBSITE

www.kh381.com

Financial Highlights

FINANCIAL PERFORMANCE

For the year ended 31 December	**2019 HK$'000**	2018 HK$'000 (Restated)	Change Increase/ (Decrease)
Revenue	**199,952**	214,605	(7%)
Gross profit	**41,686**	65,271	(36%)
Loss for the year	**(302,325)**	(211,570)	(43%)
Loss attributable to shareholders	**(301,937)**	(208,066)	(45%)
Basic loss per share (in HK cents)	**(3.11)**	(2.70)	15%
Total assets	**827,873**	913,547	(9%)
Total equity	**331,707**	455,778	(27%)

Chairman's Statement

On behalf of the board (the "**Board**") of the directors (the "**Director(s)**") of Kiu Hung International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Group for the financial year ended 31 December 2019 (the "**Year**").

RESULTS AND DIVIDENDS

During the Year, the Group recorded turnover of approximately HK$200 million (2018: HK$214.6 million), representing a decrease of approximately 6.8% as compared with last year. The Group's loss attributable to equity holders of the Company for the Year was approximately HK$301.9 million (2018: HK$208.1 million), representing an increase of approximately HK$93.8 million comparing to last year.

The increase in loss attributable to equity holders of the Company for the Year was mainly attributable to (i) the decrease in administrative expenses of the Group, amounting to approximately HK$23.9 million; (ii) the increase in the provision for impairment of investment in associates of the Group, amounting to approximately HK$23.8 million; (iii) the decrease in the provision for impairment of exploration and evaluation assets of the Group, amounting to approximately HK$88.8 million; (iv) the gain on disposal of subsidiaries, amounting to approximately HK$27.1 million; (v) the prepayment, deposit and other receivables written-off, amounting to approximately HK$106.7 million; (vi) the share of loss of associates, amounting to approximately HK$68.3 million, during the Year. Basic loss per share for the Year was 3.11 HK cents (2018: 2.70 HK cents). The Board has resolved not to pay any final dividend for the Year (2018: Nil).

BUSINESS REVIEW

The manufacturing and trading of toys and gifts items remained the revenue engine of the Group. The gross profit ratio of the toys and gifts business was approximately 20.8% for the Year which was comparable to the previous year (2018: approximately 30.4%).

For further details of the Group's business and operational review, please refer to the "Management Discussion and Analysis" section of this annual report.

BUSINESS PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole. This is evidenced by the entering of (a) on 11 September 2019, the wholly owned subsidiary of the Company, Fujian Green Forest Agricultural Technology Co., Ltd. (the "**Purchaser**"), entered into a non-legally binding memorandum of understanding with Sheen World International Holdings Limited (the "**Vendor**") in relation to a mutual intention on a possible acquisition of the Sale Interests, representing 51% of the entire equity interests in Hubei Jincaotang Pharmaceutical Co., Ltd (the "**Target Company**"); (b) on 10 March 2020, the Company entered into a memorandum of understanding with Beijing Zhongjun Financial Holdings Zhiyuan Technology Development Partnership (Limited Partnership) (the "**Vendor**") in relation to a mutual intention on a possible acquisition of certain equity interests of Shanghai Zhongjun HIT Enterprise Development Co., Ltd. (the "**Target Company**") by the Company (or its wholly owned subsidiary) from the Vendor. However, due to the coronavirus outbreak in China, it is expected that the Company will be unable to complete the due diligence review on the Target Company within the Exclusivity Period and the parties will negotiate on the new terms of cooperation after the pandemic.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our most sincere thanks and gratitude for the continuing supports of our shareholders, business partners and parties from various fields, and also for the contribution and dedication of our management and dedicated staff in previous year.

Zhang Qijun
Chairman

Hong Kong, 29 May 2020

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019 (the "**Year**"), the Group recorded turnover of approximately HK$200 million (2018: HK$214.6 million), representing a decrease of approximately 6.8% as compared with last year.

The Group's loss attributable to equity holders of the Company for the Year was approximately HK$301.9 million (2018: HK$208.1 million), representing a increase of approximately HK$93.8 million comparing to last year. The increase in loss attributable to equity holders of the Company for the Year was mainly attributable to (i) the decrease in administrative expenses of the Group, amounting to approximately HK$23.9 million; (ii) the increase in the provision for impairment of investment in associates of the Group, amounting to approximately HK$23.8 million; (iii) the decrease in the provision for impairment of exploration and evaluation assets of the Group, amounting to approximately HK$88.8 million; (iv) the gain on disposal of subsidiaries, amounting to approximately HK$27.1 million; (v) the prepayment, deposit and other receivables written-off, amounting to approximately HK$106.7 million; (vi) the share of loss of associates, amounting to approximately HK$68.3 million, during the Year. Basic loss per share for the Year was 3.11 HK cents (2018: 2.70 HK cents).

The Board has resolved not to pay any final dividend for the Year (2018: Nil).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

During the Year, the Group has five reportable segments, namely "Manufacturing and trading of toys and gifts items", "Exploration of natural resources", "Fruit plantation", "Leisure" and "Culture".

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business has different economic characteristics.

Manufacturing and Trading of Toys and Gifts Items

Turnover from toys and gifts business for the Year was approximately HK$200 million (2018: HK$214.6 million), representing a decrease of approximately 6.8% comparing to last year. The decrease in turnover was mainly attributable to the decrease in revenue generated from the North America and PRC regions. The gross profit margin was decrease, which was 20.8% (2018: 30.4%) during the Year, showing the loss of a major customer and the intense market competition while the Group has been keeping its high quality standard in the production and sales of toys and gifts items during the past years.

Management Discussion and Analysis

Exploration of Natural Resources

The Group owns the minor interest of exploration rights of Bayanhushuo Coal Field and Guerbanhada Coal Mine, all located in Inner Mongolia Autonomous Region (the "**Inner Mongolia**"), the PRC with total estimated coal resources of approximately 500.05 million tonnes under the JORC Code.

During the year 2018, the Management was being informed that the approval of the master planning of GCM from the National Development and Reform Commission of the PRC and the National Energy Commission of The PRC was very remote. On the consideration of best interest of shareholders, and based on the valuation performed by the professional valuer on 1 November 2018, the Management decided to dispose the equity interest of two whole owned subsidiaries, the Inner Mongolia Mingrunfeng Energy Co., Limited (PRC) which owed the Exploration Right of Guerbanada Coal Mine and the Inner Mongolia Run Heng Mining Company Limited (PRC) which owed the Exploration Right of Bayanhushuo Coal Field through the open market in PRC.

On 15 December 2018, 80% equity interest of the Inner Mongolia Mingrunfeng Energy Co., Limited (PRC) and 80% equity interest of the Inner Mongolia Run Heng Mining Company Limited (PRC) (together referred to as the Disposal Group) was bid in open market auction via the agent "福建省廣業拍賣有限公司". As the sales proceed from the assets and liabilities of the Disposal Group was lower than their carrying amount, an impairment of approximately HK$88,758,000 was provided for the year ended 31 December 2018, and the Disposal Group as at 31 December 2018 is classified as assets of a disposal group classified as held for sale. The disposal was completed on 15 January 2019, see note 49(a).

The retained equity interest was regarded as financial assets at FVTOCI (note 22) since the Group has no significant influence to participate in the financial and operating policy decisions of the Disposal Group.

Fruit Plantation

(a) Multijoy Group

Multijoy Developments Limited, 40% equity interest of which was acquired by the Group, together with its subsidiaries (the "**Multijoy Group**") is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the "**Forest Land**"). The Multijoy Group has appointed an independent third party under a cooperation agreement for a term of five years from 1 April 2013 to 31 March 2018, in relation to the operations of tangerine plantation business on the Forest Land for a fixed royalty income. A new cooperation agreement has been signed in early 2018 for another term of three years from 1 April 2018 to 31 March 2021.

The Group's share of result of profits amounted to approximately HK$4.5 million for the Year (2018: HK$4.7 million). Details of Multijoy Group's financial information are stated in note 21(a).

Management Discussion and Analysis

(b) ***USO Management & Holding Co. Ltd***

Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Green Luxuriant Group Investment Limited (the "**Vendor**"), regarding the Group's acquisition of 19% equity interest of USO Management & Holding Co. Ltd. ("**USO**") on 5 October 2015. USO entered into a tenancy agreement with the Alii and Faipule of the Village of Sasina, Savaii ("**AFS**"), owners of a parcel of approximately 500 acres of prime agricultural property located at Sasina, Savaii in Samoa (the "**Leased Properties**") pursuant to which AFS granted to USO the legal right to use its Leased Properties for a term of 90 plus 30 years (120 years in total) at an annual lease payment of US$120,000 (equivalent to approximately HK$936,000) for the development of USO's noni fruit plantation business. The formal lease agreement with the Ministry of Natural Resources and Environment in Samoa was completed on 19 July 2017.

On 19 June 2018, Trinity Force Investments Limited entered into the sale and purchase agreement with the Vendor in relation to further acquisition of an effective 28% equity interest in Noni-fruit plantation related business in the Independent State of Samoa ("**Samoa**"). The acquisition had been completed on 23 January 2019 and the Group in total owned 47% equity interest of USO.

Due to the amortisation of intangible assets, the Group's share of loss amounted to HK$46 million for the Year. Details of USO's financial information are stated in note 21(e).

Leisure

(a) ***Tea related business***

Since the Group's acquisition of 33% equity interest in Fujian Yuguo Tea Chaye Limited* (福建鈺國茶業有限公司) ("**Fujian Yuguo**") (a limited company incorporated in Fujian Province, the PRC, engaging mainly in the distribution of tea related products in PRC) in January 2016 , Fujian Yuguo has been generating profits from its operations.

In the recent years, the competition in tea industries becomes more fierce because the traditional sales model is facing a keen competition from those online business platform. During the Year, Fujian Yuguo began to fine-tune its operation model to meet its customers' needs, including but not limited to provide more attractive terms to its selected customers to increase its competitiveness in the markets.

Due to impairment loss on intangible assets, the Group's share of result of loss amounted to HK$24.9 million (2018: HK$0.5 million) for the year. As the recoverable amount of Fujian Yuguo is lower than its carrying amount, an impairment of approximately HK$1.5 million (2018: HK$16.4 million) was recognised for the Year ended 31 December 2019. Details of Fujian Yuguo's financial information are stated in note 21(c).

(b) Wine related business

Wine culture forms an important part and has a long history in the Chinese culture. In view of the increase in the living standard of the Chinese people in the recent years, the Group is optimistic about the future growth in the wine industry and has intention to invest in the wine business, especially for the yellow wine products. Since the end of 2016, the Group has invested in the yellow base wine.

In view of the Group's existing insufficient working capital, the Group has adopted a strategy to look for potential cooperators to manufacture and distribute the yellow wine products. On 15 January 2018, the Group entered into a sales and purchase agreement with the vendor of Anhui Fu Lao Wine Development Company Limited* (安徽省福老酒業發展有限公司) ("**Anhui Fu Lao**"), a company established in PRC with limited liability. Pursuant to the sales and purchase agreement, the Group had agreed to acquire and the vendor of Anhui Fu Lao had agreed to sell 20% equity interest of Anhui Fu Lao held by the vendor, at the consideration of approximately RMB84 million (equivalent to approximately HK$101 million), subject to the fulfillment of certain conditions. The consideration will be settled by the Company by way of issuing a total of 1,010,000,000 consideration shares at issue price of HK$0.10 each. On 31 May 2018, the acquisition was completed.

The Group's share of result of loss amounted to HK$1.9 million for the Year (2018: HK$0.6 million). Details of Anhui Fu Lao's financial information are stated in note 21 (d).

(c) Outbound tourism

Regarding the Group's 20% equity interest in the Eagle Praise Group, which is principally engaged in outbound tourism related business in PRC, the business development of the Eagle Praise Group was slower than expected. Based on the information available to the Board, the Eagle Praise Group has not yet arranged any outbound travel tours in accordance with the business plan as scheduled in the supplemental shareholders' agreement dated 16 December 2015, entered into between the Group and the vendor of the Eagle Praise Group.

The Group gave notice to the vendor on 30 December 2016, to rescind the various agreements entered into with the vendor (the "**Rescission of Agreements**") on the ground of fraudulent misrepresentations made by the vendor and its representative. As a result, the Board considered that full provision for impairment in the investment of approximately HK$117.8 million was required to be made during the year ended 31 December 2016.

The Group has discussed with and instructed its legal adviser to take further legal action against the vendor of Eagle Praise Group regarding the Rescission of Agreements and the promissory notes of approximately of HK$92 million issued to the vendor of the Eagle Praise Group. The Group will make further announcement(s) to update the development of the Rescission of Agreements as and when appropriate.

As stated in note 47, there will be a contingent gain on the rescission of the promissory note of approximately HK$92 million.

Management Discussion and Analysis

Culture

On 27 March 2015, the Group acquired certain pieces of Jingdezhen contemporary ceramics including ceramic vases and plates, at a total consideration of HK$38.0 million. During the year, the Group recognized write-down of these ceramic item of approximately HK$25 million for the Year. These ceramic items had carrying amounts of approximately HK$10.3 million (net of allowance for written down of approximately HK$25 million) as at 31 December 2019.

Geographical Information

During the Year, the Group recorded revenue in North America (includes the USA and Canada) of approximately HK$196 million as compared to approximately HK$205 million last year and represented approximately 98.1% (2018: approximately 95.5%) of the Group's total revenue. Revenue in the European Union (includes Spain, Italy, France and the United Kingdom) amounted to approximately HK$0.4 million for the Year as compared to approximately HK$0.4 million last year and represented approximately 0.2% (2018: approximately 0.2%) of the Group's total revenue of the Year.

Gain on disposal of subsidiaries

For details, please refer to the note 49.

Prepayment, deposits and other receivables written-off

For details, please refer to the note 26(a).

Selling and Distribution Costs

The amount of the selling and distribution costs for the Year was approximately HK$28.3 million (2018: approximately HK$32.3 million). The decrease was mainly attributable to the decrease of the staff costs of manufacturing and trading of toys and gifts items segment.

Administrative Expenses

Administrative expenses for the Year decreased by approximately 21.1% to approximately HK$89.3 million as compared to approximately HK$113.3 million in the previous year. The decrease in administrative expenses was mainly due to decrease in consultancy expenses during the Year.

Finance Costs

Finance costs for the Year increased by approximately HK$9.1 million to approximately HK$34.9 million as compared to approximately HK$25.8 million in the previous year. The increase in finance costs was mainly due to the increase of approximately HK$12.3 million for overdue interest on promissory notes during the Year.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in PRC. As at 31 December 2019, the Group had bank and cash balances of approximately HK$18.5 million (2018: HK$21.8 million). The Group's bank and cash balances were mostly denominated in Hong Kong dollars and Renminbi.

As at 31 December 2019, the Group's borrowings amounted to approximately HK$55.5 million (2018: HK$101.9 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 December 2019, the Group's promissory notes amounted to approximately HK$270.5 million (2018: HK$153.6 million) in aggregate. The Group's promissory notes were denominated in Hong Kong dollars.

The Group monitors its capital using a gearing ratio, which is the Group's net debt (comprising trade payables, accruals and other payables, income tax payable, promissory notes, lease liabilities/obligation under finance lease and borrowings less bank and cash balances) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2019 was 139.5% (2018: 92.4%).

As the majority of the Group's transactions and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate fluctuation was relatively insignificant, and the Group had not used any financial instruments for hedging during the Year.

Management Discussion and Analysis

CAPITAL COMMITMENT

As at 31 December 2019, the Group had no significant capital commitment.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PROSPECTS

The Group has been reviewing its existing operations from time to time and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole.

CAPITAL STRUCTURE

As at 31 December 2019, the capital structure of the Company was constituted of 9,890,381,596 ordinary shares of HK$0.10 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the share options to subscribe for the Company's shares.

On 19 May 2019, the existing limit on the grant of share options under the share option scheme adopted by the Company on 31 May 2013, was refreshed by the resolution passed at the EGM held at that date, and shall not exceed 10% of the total number of Shares in issue of the Company as at the date of the passing of this resolution.

At 31 December 2019, no share option was remained outstanding (2018: 69,000,000). The share option scheme of the Company with a scheme life of ten years approved by the shareholders of the Company on 19 May 2019 will expire on 18 May 2029.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2019, the Group had a total of 379 employees (2018: 390 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a yearly basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

QUALIFIED OPINIONS

1. Inventories (Ceramic Items)

As set out on pages 30 to 36 under the section headed "Independent of the auditor's report", it was disclosed that inventories (ceramic items) at 31 December 2018 are one of the items the Company's auditors have not been able to obtain sufficient audit evidence on and it is one of the basis for qualified opinion regarding its opening balance and corresponding figure in the auditor's report for 2019.

Reasons and details of the Qualified Opinion on opening balance and corresponding figure

Since the auditor was unable to obtain sufficient appropriate audit evidence to satisfy themselves that the net realisable value of the ceramic items with carrying amount of approximately HK$35 million in the consolidated statement of financial position as at 31 December 2018 was free from material misstatements, the auditor could not determine whether any write-down should be made in the consolidated financial statements for the year ended 31 December 2018 in respect of these ceramic item inventories. The auditor therefore qualified the opening balance and corresponding figure regarding the ceramic items as any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and amounts presented in cash flows of the Group for the years ended 31 December 2019 and 2018 and the financial position of the Group as at 31 December 2018.

The Directors' position

The Board understood the basis for qualification on the ceramic items regarding the opening balance and corresponding figure and agreed with the auditor's qualified opinion on this matter.

Audit Committee's view

The Audit Committee confirmed that they understood the basis of the Qualified Opinion. They have also reviewed and agreed with the Board's position as set out above.

The Company's proposed plan to address the Qualified Opinion

During the year ended 31 December 2019, the Group recognised write-down of these ceramic items of approximately HK$25 million. As the unsold ceramics had been fully written down as at 31 December 2019, the auditor is satisfied with the net realisable value of the Ceramics as at 31 December 2019. Since the Qualified Opinion will have impact on the comparative figures for the 2020 results of the Company, this qualified opinion is therefore expected to be uplifted in the audit report for 2021.

2. Prepayment, Deposit and Other Receivables (The Deposit Paid)

As set out on pages 30 to 36 under the section headed "Independent auditor's report", the deposit paid for sales right of a property development (the "Deposit Paid") under Prepayment, deposits and other receivables at 31 December 2018 are one of the items the Company's auditors have not been able to obtain sufficient appropriate audit evidence on and it is one of the basis for the qualified opinion regarding its opening balance and corresponding figure in the auditor's report for 2019.

Reasons and details of the Qualified Opinion on opening balances and corresponding figures

Since the auditor were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverability of the Deposits Paid as at 31 December 2018, the auditor could not determine whether any provision for impairment of the Deposits Paid should be made in the consolidated financial statements for the year ended 31 December 2018. The auditor therefore qualified the opening balance and corresponding figure regarding this Deposit Paid as any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and amounts presented in cash flows of the Group for the years ended 31 December 2019 and 2018 and the financial position of the Group as at 31 December 2018.

The Directors' position

The Board understood the basis for qualification on the Deposit Paid regarding the opening balances and corresponding figures and agreed with the auditor's qualified opinion on this matter.

Audit Committee's view

The Audit Committee confirmed that they understood the basis of the Qualified Opinion. They have also reviewed and agreed with the Board's position as set out above.

The Company's proposed plan to address the Qualified Opinion

During the year ended 31 December 2019, based on the legal opinion, the Group wrote off of these Deposit Paid of approximately HK$107 million (see note 26(a)) and recognised the loss on the write-off of Deposit Paid of approximately HK$107 million in the consolidated statement of profit or loss for the year ended 31 December 2019. Since the Qualified Opinion will have impact on the comparative figures for the 2020 results of the Company, this qualified opinion is therefore expected to be uplifted in the audit report for 2021.

3. Investment n Associates (Fujian Yuguo)

As set out on pages 30 to 36 under the section headed "Independent auditor's report", it was disclosed that the consolidated financial statements of the Group for the year ended 31 December 2017 were audited by the Company's Predecessor auditors who expressed a qualified opinion about having not been able to obtain sufficient appropriate audit evidence for the investment in associates i.e. Fujian Yuguo and other items (the "Qualified Opinion"), such that any adjustments that would be required may have consequential significant effects on those assets of the Group as at 31 December 2017 presents as comparative figures.

Reasons and details of the Qualified Opinion on opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditors (the "Predecessor Auditors"), who expressed a qualified opinion on those statements on 29 March 2018. The Predecessor Auditors were unable to satisfy themselves about (i) the recoverable amount of the Group's investment in Fujian Yuguo, an associate of the Group, whose carrying amount as at 31 December 2017 was approximately HK$46 million; (2) whether impairment loss of HK$15 million was properly recognised for the year ended 31 December 2017; and (3) whether share of results of HK$0.8 million and share of exchange translation difference of associate HK$2 million were properly recognised for the year ended 31 December 2017.

Since the auditor could not determine if any adjustment to the figures mentioned above might have had consequential effects on the impairment loss of approximately HK$16 million recognised on the investment in Fujian Yuguo for the year ended 31 December 2018, the auditor therefore qualified the opening balance and corresponding figure regarding this investment in 2019 audit report.

The Directors' position

The Board understood the basis for qualification on the investment in associate regarding the opening balances and corresponding figures and agreed with the auditor's qualified opinion on this matter.

Audit Committee's view

The Audit Committee confirmed that they understood the basis of the Qualified Opinion. They have also reviewed and agreed with the Board's position as set out above.

The Company's proposed plan to address the Qualified Opinion

Since the Qualified Opinion will have no more impact on the comparative figures for the 2020 results of the Company, this qualified opinion is therefore expected to be uplifted in the audit report for 2020.

Profile of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Qijun ("Mr. Zhang"), aged 43, had been appointed as an executive director of the Company since March 2016. Mr. Zhang was also appointed chairman of the Company since July 2019. Mr. Zhang is currently the Legal Person of Fuzhou Taijiang He Xuan Trading Co. Ltd., a company principally engaged in trading in the PRC. Mr. Zhang has approximately 17 years of experience in arts and design, and trading.

Mr. Chen Jian ("Mr. Chen"), aged 42, had been appointed as an executive director of the Company on 2 July 2019. Mr. Chen is currently a member of the Advisory Committee of the China Association of Foreign Trade and Economic Cooperation Enterprises and a member of the Fuzhou Foreign Economic and Trade Enterprise Association and the Fuzhou Import and Export Chamber of Commerce. Mr. Chen has over 22 years of experience in foreign trade related business, covering sales and procurement, local and international supply chain, logistics and finance.

Mr. Liu Mingqing ("Mr. Liu"), aged 41, had been appointed as an executive director of the Company on 27 March 2020. Mr. Liu has over 15 years of experience in financial and investment related business and considerable experience in securities and futures, corporate finance, derivative products and other various financial services. Mr. Liu is currently involved in Private Equity investment and enterprise management.

Independent Non-executive Directors

Mr. Wang Xiao Ning ("Mr. Wang"), aged 60, had been appointed as an independent non-executive director of the Company since June 2015. Mr. Wang joined the field of import and export trading in 1990. He is currently the general manager of 福建省鄉鎮企業進出口公司 (Fujian Township Enterprises Import and Export Corporation*). Mr. Wang has over 25 years of experience in the import and export trading management.

Mr. Cheng Ho On ("Mr. Cheng"), aged 36, had been appointed an independent non-executive Director since 23 March 2019. He holds a Bachelor degree in Marketing from Hong Kong Polytechnic University, and a Master degree in Art Administration from Hong Kong Baptist University. Mr. Cheng is currently a project manager in a Hong Kong Company which engaging in the promotion of culture, specializing in project management. Mr. Cheng has accumulated over 11 years working experience.

Mr. Kong Chun Wing ("Mr. Kong"), aged 36, had been appointed as an independent non-executive Director on 2 July 2019. He is a fellow member of the CPA Australia. Mr. Kong is currently an assistant general manager in a Hong Kong Company which engaging in the production of food and beverage. Mr. Kong has over 5 years working experience in the field of accounting professional and accumulated over 14 years working experience.

Profile of Directors and Senior Management

Mr. Lai Chi Yin Samuel, aged 56, had been appointed as an independent non-executive Director on 16 January 2020. Mr. Lai is currently a director of DreamPro Lifestyle & Sports Management Company Limited, a private limited company registered in Hong Kong which is principally engaged in organization of sports events. Mr. Lai has accumulated over 30 years' working experience as an executive in sales, marketing, administration and personnel while working at international companies in the United Kingdom, Hong Kong, Singapore, Thailand, and Pakistan.

Ms. Chen Yuxin ("Ms. Chen"), aged 22, had been appointed as an independent non-executive Director on 13 May 2020. Over the years, she has actively expanded the overseas business operation, and currently serves as the investment director of China Commerce Huaxia Products Co., Ltd..

SENIOR MANAGEMENT

Mr. Hui Ki Yau, aged 58, is the president of the Group's toys and gifts business. He is responsible for the operations and the sales and marketing functions of the toy and gift business of the Group. Mr. Hui has over 25 years of experience in the sales and marketing field. He is currently a Standing Committee Member of the Chinese People's Political Consultative Conference of Putian City, Fujian Province, the PRC, an Executive Member of Fujian Putian Commerce Association, a member of the Hong Kong Trade Development Council Toys Advisory Committee, a Director of The Fujian Putian University and an honorary citizen of Putian, Fujian, the PRC. Mr. Hui is the brother of Mr. Hui Kee Fung and Madam Hui Hung Tan, Teresa.

Madam Hui Hung Tan, Teresa, aged 51, is the Director of operations and sales of the Group's toys and gifts business. Madam Hui has over 20 years of experience in the toy and decorative gift industries. Madam Hui is a Director of The Fujian Putian University and an honorary citizen of Putian, Fujian, the PRC. She is the sister of Mr. Hui Kee Fung and Mr. Hui Ki Yau.

Report of The Directors

The directors of the Company herein present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 48 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by principal activities and geographical area of operations for the year ended 31 December 2019 is set out in note 7 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 37 to 40 of this annual report. The directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2019.

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.

INVESTMENT PROPERTIES

Details of the Group's investment properties are set out in note 18 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2019 are set out in note 34 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 35 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 40 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company had no distributable reserves (2018: HK$Nil). Under the Company's memorandum and articles of association and the Companies Law (Revised) of the Cayman Islands, the contributed surplus and share premium of the Company of approximately HK$125.2 million (2018: HK$125.2 million) and approximately HK$1,597.4 million (2018: HK$1,570.6 million), respectively, at 31 December 2019 are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 136 of this annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling approximately HK$11,000 (2018: HK$211,000).

RETIREMENT BENEFITS SCHEMES

The Group operates a Pension Scheme and a MPF Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees. The employees of the subsidiaries in the PRC participate in the state- managed retirement benefits schemes operated by the relevant local government authority in the PRC. The subsidiaries are required to make contributions to the schemes at a certain percentage of the basic salaries of their employees. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss of approximately HK$2,061,000 (2018: approximately HK$3,797,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

No employer's contribution was forfeited during the year. No unutilised forfeited contribution (2018: Nil) was available at 31 December 2019 to reduce the Group's future contributions.

The Group does not have any other pension scheme for its employees. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2019 in respect of the retirement of its employees.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 80.6% of the total revenue for the year and sales to the largest customer included therein accounted for approximately 53.7%. Purchases from the Group's five largest suppliers accounted for approximately 43.3% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 18.3%.

None of the directors of the Company or any of their associates 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 during the year.

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Mr. Zhang Qijun *(Chairman)*
Mr. Chen Jian *(appointed on 2 July 2019)*
Mr. Liu Mingqing *(appointed on 27 March 2020)*
Mr. Hui Kee Fung *(retired on 28 June 2019)*
Mr. Yu Won Kong, Dennis *(resigned on 28 May 2019)*
Mr. Zhang Yun *(retired on 28 June 2019)*
Mr. Shu ZhongWen *(resigned on 28 May 2019)*
Mr. Pun Yat Kan *(resigned on 28 May 2019)*
Ms. Cui Yu *(retired on 28 June 2019)*

Independent non-executive Directors:

Mr. Wang Xiao Ning
Mr. Cheng Ho On
Mr. Kong Chun Wing *(appointed on 2 July 2019)*
Mr. Lai Chi Yin, Samuel *(appointed on 16 January 2020)*
Ms. Chen Yuxin *(appointed on 13 May 2020)*
Mr. Cheung Man Loon, Michael *(retired on 28 June 2019)*
Mr. So Chun Pong, Ricky *(retired on 28 June 2019)*

The directors of the Company, including the non-executive directors and the independent non-executive directors are subject to retirement by rotation and re-election in accordance with the provisions of the Company's articles of association.

According to articles 87(1) and 87(2) of the Company's articles of association (the "**Articles**"), at each annual general meeting of the Company (the "**AGM**"), one-third of the directors of the Company for the time being (or, if such number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director of the Company shall be subject to retirement by rotation at least once every three years. A retiring director of the Company shall be eligible for re-election. In accordance with Articles 87(1) and 87(2), Mr. Chen Jian, Mr. Liu Mingqing, Mr. Wang Xiao Ning, Mr. Kong Chun Wing, Mr. Lai Chi Yin Samuel and Ms. Chen Yuxin shall retire from office by rotation at the forthcoming AGM. Being eligible, each of Mr. Chen Jian, Mr. Liu Mingqing will offer themselves for re-election as the executive directors, and Mr. Wang Xiao Ning, Mr. Kong Chun Wing, Mr. Lai Chi Yin Samuel and Ms. Chen Yuxin will offer themselves for re-election as the independent non-executive directors.

Report of The Directors

In accordance with Article 86(3), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election at that meeting.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and of the senior management of the Group are set out on pages 13 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhang Qijun renewed his service contract with the Company to serve as an executive director of the Company for a term of two years from 4 March 2020 to 3 March 2022, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Chen Jian entered into a service contract with the Company to serve as an executive director of the Company for a term of two years from 2 July 2019 to 1 July 2021, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Liu Mingqing entered into a service contract with the Company to serve as an executive director of the Company for a term of two years from 27 March 2020 to 26 March 2022, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Apart from the foregoing, 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 other than statutory compensation.

TERMS OF NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed for a fixed term of two years as follows:

Name of directors	Term period
Mr. Wang Xiao Ning	1 June 2019 to 31 May 2021
Mr. Cheng Ho On	23 March 2019 to 22 March 2021
Mr. Kong Chun Wing	2 July 2019 to 1 July 2021
Mr. Lai Chi Yin, Samuel	2 July 2019 to 1 July 2021
Ms. Chen Yuxin	13 May 2020 to 12 May 2022

DIRECTORS' INTERESTS IN CONTRACTS

Save for transactions as disclosed in note 44 to the consolidated financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2018, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures ordinance (the "**SFO**")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities transactions by Directors of Listed Companies (the "**Model Code**") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company

Name of director	Number or attributable number of shares held or short positions	Capacity: Interest of controlled corporation	Capacity: Interest of child under 18 or spouse	Capacity: Beneficial owner	Approximate percentage or attributable percentage of shareholdings
Zhang Qijun	670,000	–	–	670,000	0.01%

Save as disclosed above and under the heading "Substantial Shareholders" below, none of the directors of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' Interests in Shares" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme which became effective on 15 May 2019.

Eligible participants, including executive directors, non-executive directors, shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group are invited to take up options to subscribe for the shares. The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares on the date of the offer; (ii) the average closing price of the shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share on the date of offer.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme. For the avoidance of doubt, options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised) would not be counted for the purpose of calculating such 10% limit. The Company may seek approval of the Company's shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

The following table discloses movements in the outstanding share options granted under the Share Option Schemes during the year:

		Number of share options				
Grantee	Date of grant	Outstanding at 1 January 2019	Cancelled during the year	Outstanding at 31 December 2020	Exercise price HK$	Exercise Period
(Executive directors)						
Yu Won Kong, Dennis	1 September 2014	2,200,000	(2,200,000)	–	0.4000	1 September 2014 to 31 August 2019
Hui Kee Fung	1 September 2014	5,000,000	(5,000,000)	–	0.4000	1 September 2014 to 31 August 2019
Employees	1 September 2014	61,800,000	(61,800,000)	–	0.4000	1 September 2014 to 31 August 2019
Total		69,000,000	(69,000,000)	–		

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2019, the persons or companies (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in the shares of the Company

		Capacity		
Name of shareholder	Number of shares or underlying approximate shareholding	Beneficial owner	Interest of child under 18 or spouse	Interest of controlled corporation
N/A	–	–	–	–

Report of The Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the directors, there is sufficient public float of more than 25% of the Company's issued shares as at the date of this report.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 23 to 29 of this annual report.

INDEPENDENT CONFIRMATION

The Company has received, from each independent non-executive director, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group respects the environment and is committed to minimising its carbon footprints as a socially responsible enterprise in Hong Kong. Carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of the equivalent amount of Carbon Dioxide of (CO2) emission. Non- hazardous wastes produced from the Group mainly consist of used paper such as office papers and marketing materials. To minimise the impact of carbon footprints on the environment, the Group implements the following practices to use paper efficiently:

- duplex printing is set as the default mode for most network printers;
- employees are reminded to practice photocopying wisely;
- employees are encouraged to use both sides of paper;
- paper waste is recycled instead of being directly disposed of in landfills;
- paper is separated from other waste for easier recycling; and
- boxes and trays are placed beside photocopiers as containers to collect single-sided paper for reuse purpose.

Electricity consumption is identified as having an adverse impact on the environment and natural resources. A typical commercial building uses more energy for lighting than for other electric equipment. The Group is determined to reduce energy consumption and implement conservation practices to reduce the effect of carbon footprint. Air conditioning and light zone arrangements reduce unnecessary electricity usage; employees enforce good practices in maintenance of lighting and electric equipment to ensure they are kept in good and proper condition to maximise efficiency.

The Group will review its environmental practices periodically and will consider implementing further eco- friendly measures and practices in the operation of the Group's businesses.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2019, there was no evidence of non-compliance with the relevant laws and regulations that have significant impacts on the Group as far as the Board is aware.

Relationship with Employees, Customers and Suppliers

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found during the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs effectively and efficiently. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and conduct regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

During the year ended 31 December 2019, there was no circumstances of any event between the Group and its employees, customers and suppliers which would have a significant impact on the Group's business and on which the Group's success depends.

PERMITTED INDEMNITY

The Company's Articles of Associations provides that every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, by reason of any act done in or about the execution of his duty, or supposed duty; and none of them shall be answerable for the acts, receipts, neglects or for any other loss, misfortune or damage which may happen in the execution of his duty, or in relation thereto; PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 50 to the consolidated financial statements.

AUDITOR

KTC Partners CPA Limited was appointed as auditor of the Company at the AGM held on 28 June 2019. And a resolution for its reappointment as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Zhang Qijun
Chairman

Hong Kong, 29 May 2020

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance. During the Year, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules, except for the deviation from code provisions A.6.7 of the Corporate Governance Code as described below.

Code Provision A.6.7

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings. However, the independent non-executive Directors, Mr. Cheung Man Loon, Michael, Mr. So Chun Pong, Ricky and Mr. Wang Xiao Ning, had other important engagements at the same time and did not attend the annual general meeting of the Company held on 28 June 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

BOARD OF DIRECTORS

As at 31 December 2019, the Board currently comprises three executive directors and five independent non-executive directors. For a director to be considered independent, the Board follows the requirements set out in the Listing Rules and must determine that the director does not have any direct or indirect material relationship with the Group. Under the Company's Articles of Association, every director is subject to retirement by rotation at least once every three years and their re-election are subject to a vote by the shareholders. All independent non-executive directors are appointed for a specific terms of two years.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the executive directors. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic and financial policies including dividend policy, material contracts and major investments. All Board members have separate and independent access to the Group's senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

As at the date of this report, the Company appointed five independent non-executive directors, namely, Mr. Wang Xiao Ning, Mr. Cheng Ho On, Mr. Kong Chun Wing, Mr. Lai Chi Yini Samuel and Ms. Chen Yuxin who have appropriate and sufficient experiences and qualifications to carry out their duties so as to protect the interests of shareholders.

The Company arranged for appropriate insurance cover in respect of legal actions against directors.

Board meets regularly to review the financial and operating performance of the Group, to make important decisions and to approve future strategies. Twenty-five Board meetings were held in 2019. Individual attendance of each director at the Board meetings, the Audit Committee meetings, the Nomination Committee meeting, the Remuneration Committee meetings and the general meetings of the Company during 2019 is set out below:

	Attendance/number of meetings				
Director	Board	Audit committee	Nomination committee	Remuneration committee	General meeting
Executive directors					
Mr. Zhang Qijun *(Chairman)*	21/27	N/A	2/3	2/3	1/2
Mr. Chen Jian	13/27	N/A	N/A	N/A	N/A
Independent non-executive directors					
Mr. Wang Xiao Ning	12/27	N/A	1/3	1/3	N/A
Mr. Cheng Ho On	18/27	2/2	2/3	2/3	1/2
Mr. Kong Chun Wing	13/27	2/2	N/A	N/A	N/A
Ex-executive directors					
Mr. Hui Kee Fung	2/27	N/A	1/3	1/3	1/2
Mr. Yu Won Kong, Dennis	1/27	N/A	N/A	N/A	1/2
Mr. Zhang Yun	10/27	N/A	N/A	N/A	N/A
Mr. Shu ZhongWen	9/27	N/A	N/A	N/A	N/A
Mr. Pun Yat Kan	5/27	N/A	N/A	N/A	1/2

To implement the strategies and plans adopted by the Board effectively, directors and senior management meet regularly to review the performance of the businesses of the Group and make financial and operational decisions.

Biographical details of the directors, together with information about the relationship among them, can be found under the Profile of Directors and Senior Management section on pages 13 to 14 of this annual report.

CHAIRMAN

The Group has appointed Mr. Zhang Qijun as the Chairman. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities.

REMUNERATION COMMITTEE

The Remuneration Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to determine and review the remuneration packages of individual executive directors and senior management, considering factors such as salaries paid by comparable companies, time commitment and responsibilities of individuals. The terms of reference of the Remuneration Committee can be obtained from the Company's website.

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salary of directors and senior management. The remuneration of each director is determined by the committee with reference to his/her duties and responsibilities with the Company. No executive director has taken part in any discussion about his own remuneration. Three meetings were held by the Remuneration Committee in 2019. Four out of four of the committee members are independent non-executive directors of the Company. Its members as at 31 December 2019 include:

Mr. Zhang Qijun — *Chairman*
Mr. Chen Jian
Mr. Wang Xiao Ning
Mr. Cheng Ho On

Directors' remunerations for the year are disclosed in note 12 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee can be obtained from the Company's website.

The Board adopted a Board Diversity Policy in August 2013 setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. It endeavours to ensure that the Board has a balance of, amongst other factors, skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be made on a merit basis, and candidates will be considered against a range of selection criteria, having regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. Three meetings were held by the Nomination Committee in 2019. Two out of Three of the committee members are independent non-executive directors of the Company. Its members as at 31 December 2019 include:

Mr. Zhang Qijun — *Chairman*
Mr. Wang Xiao Ning
Mr. Cheng Ho On

AUDIT COMMITTEE

The Audit Committee has clear terms of reference and is accountable to the Board. The committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The terms of reference of the Audit Committee can be obtained from the Company's website. Two meetings were held by the Audit Committee in 2019. All committee members are independent non-executive directors. Its members as at 31 December 2019 include:

Mr. Kong Chun Wing — *Chairman*
Mr. Wang Xiao Ning
Mr. Cheng Ho On

The committee members possess diversified industry experience and the Chairman of the committee has appropriate professional qualifications and experience in accounting matters. During the year, the committee considered the external auditors' re-appointment and their projected audit fees, reviewed the interim and annual financial statements and reviewed the Group's risk management and internal control systems.

AUDITOR'S REMUNERATION

During the year, the Group has incurred auditor's remuneration of HK$2,000,000 which was paid/payable to the Company's existing auditor, KTC Partners CPA Limited.

COMPANY SECRETARY

Mr. Tam Tsz Ming, aged 47, was appointed as the company secretary of the Company on 14 June 2018. Mr. Tam hold a Bachelor Degree of Business Administration in Accounting from the Open University of Hong Kong. He also holds the Diploma in Legal Studies from HKU SPACE. Mr. Tam is a member of Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. Mr. Tam has accumulated extensive working experience in the fields of auditing, accounting and financial management.

SHAREHOLDERS' RIGHTS

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting 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 such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) because of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURE BY WHICH ENQUIRIES PUT TO THE BOARD

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's principal place of business in Hong Kong or via email to info@kh381.com.

INVESTOR RELATIONS

The Company highly values its relationship with its shareholders and other stakeholders. It has put in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its shareholders and other stakeholders. The main features of the system are as follows:

- The Company maintains a corporate website www.kh381.com on which comprehensive information about the Group, including core business, financial reports, public announcements, circulars and news of the Group, is disclosed. Shareholders can obtain corporate communication electronically via the Company's website.

- The Company establishes and maintains different communication channels with its shareholders and other stakeholders through annual reports, interim reports and other publication.

- AGM provides a useful forum for shareholders to exchange views with the Board. The respective chairmen of the Board and Audit, Remuneration and Nomination Committees (or in the absence of the chairmen of such Committees, another member of each Committee or failing this his duly appointed delegate) will endeavor to be available to answer questions raised by shareholders.

- Separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

- Details of the proposed resolutions to be put forward at a general meeting are, where necessary or appropriate, included in a circular to the shareholders dispatched prior to the date of the relevant general meeting.

- All resolutions put to the vote of a general meeting are taken by poll. The poll results are published on the Stock Exchange's website www.hkexnews.hk and on the Company's website.

In addition, the Company has established the investor relations department with designated senior management for maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from shareholders and other stakeholders are dealt with in an informative and timely manner.

Shareholders and other stakeholders may write directly to the Company at its principal place of business in Hong Kong or via email to info@kh381.com for any enquiries. The shareholders' communication policy is available on the Company's website www.kh381.com under the "Investor Relations/Corporate Governance" section.

FINANCIAL REPORTING

The directors of the Company acknowledge their responsibility for preparing the Group's and the Company's financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies are being selected and applied consistently.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditor's Report on pages 30 to 36 of this annual report.

GOING CONCERN

The Group incurred a loss of approximately HK$302,325,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of approximately HK$317,014,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(1) The Group is in negotiation with financial institutions to obtain sufficient new borrowings;

(2) After 31 December 2019, certain promissory note holders and creditors with an aggregate amount of approximately HK$124,673,000 and HK$50,326,000 included in promissory notes and accruals and other payables respectively, as set out in note 31 and note 30, have agreed not to demand for repayment for the amount due before 21 May 2021;

(3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds;

(4) The Group entered into conditional subscription agreement for the bond subscription with an aggregate principal amount of HK$500 million, details of which are set out in the Company's announcement dated 14 October 2019, 26 November 2019 and 5 December 2019; and

(5) A shareholder of the Company, has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the above measures to be undertaken by the Group and the financial support from a shareholder. The directors of the Group are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2019. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard the assets of the Group and shareholder investments. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

During the year under review, the Board has engaged Nortex Consultants Limited as independent consultant to undertake a review of the internal control system of the Group on material issues covering financial, operational and regulatory compliance controls and risk management function.

The Directors considered that the Group has implemented appropriate procedures for safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, segregation of duties and putting plans and routines into execution with appropriate authority and in compliance with the relevant laws and regulations.

The Company does not have an internal audit function for the year ended 31 December 2019. Taking into account the size and complexity of the operations of the Group and the potential costs of setting up an internal audit function, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient risk management and internal control for the Group. However, the Board will regularly review the need to set up an internal audit function or engage an independent professional service provider to review the Group's internal control and risk management system.

The Group adopts a risk management framework which comprises the following processes:

— Identify significant risk in the Group's operation environment and evaluate the impacts of those risks on the Group's business;

— Develop necessary measures to manage those risks; and

— Monitor and review the effectiveness of such measures.

The Group formulated the policies and procedures of risk management and internal control as follows:

— The Group established an organisational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;

— Each operating subsidiary maintains internal controls and procedures appropriate to its structure whilst complying with the Group's policies, standards and guidelines;

— Relevant executive Directors and senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;

— A systematic review of the financial and business processes in order to provide management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the system of internal controls, management will evaluate and take necessary measures to ensure that improvements are implemented; and

— Code of ethics are established and adhered to by all employees to ensure high standards of conduct and ethical values in all business practices.

The Board reviewed that the risk management and internal control system adopted by the Group for the year ended 31 December 2019 and considered that it was effective.

DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a Policy on Disclosure of Inside Information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

Independent Auditor's Report

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

TO THE SHAREHOLDERS OF
KIU HUNG INTERNATIONAL HOLDINGS LIMITED
僑雄國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Kiu Hung International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 135, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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

Opening balances and corresponding figures

We expressed a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2018 on 29 March 2019. The basis for the qualified opinion include the possible effects of the matters described in paragraphs 1 to 3 below on the consolidated financial performance and cash flows of the Group for the year ended 31 December 2018 and the consolidated financial position of the Group as at 31 December 2018, and the related disclosures thereof in the consolidated financial statements. Since opening balances of these assets as at 1 January 2019 enter into the determination of the financial performance and amounts presented in cash flows of the Group for the current year ended 31 December 2019, we were unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 31 December 2019 reported in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the amounts presented in cash flows for the year ended 31 December 2019 reported in the consolidated statement of cash flows. In addition, as any adjustments that would be required may have consequential significant effects on those assets of the Group as at 31 December 2018 and its results and amounts presented in cash flows for the year ended 31 December 2018 presented as comparative figures in the consolidated financial statements, we were also unable to determine the possible effects of these matters on the comparability of the current year's figures and the comparative figures presented in the consolidated financial statements.

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1. Inventories

Included in the inventories of the Group as at 31 December 2018 were inventories of ceramic items with carrying amounts of approximately HK$35,303,000 in the consolidated statement of financial position. The Group recognised write-down of these ceramic item inventories of approximately HK$24,971,000 for the year ended 31 December 2019.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the net realisable value of the ceramic items with carrying amount of approximately HK$35,303,000 in the consolidated statement of financial position as at 31 December 2018 was free from material misstatements. There were no satisfactory alternative audit procedures that we could adopt to determine whether any write-down should be made in the consolidated financial statements for the year ended 31 December 2018 in respect of these ceramic item inventories.

Any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and amounts presented in cash flows of the Group for the years ended 31 December 2019 and 2018 and the financial position of the Group as at 31 December 2018.

2. Prepayment, deposits and other receivables

Included in the prepayment, deposits and other receivables in the consolidated statement of financial position as at 31 December 2018 were deposits paid (the "**Deposits Paid**") of approximately HK$102,100,000. As stated in note 26(a) to the consolidated financial statements, during the year ended 31 December 2019, the Group wrote off the Deposits Paid of approximately HK$106,708,000 and recognised the loss on the write-off of Deposit Paid of approximately HK$106,708,000 in the consolidated statement of profit or loss for the year ended 31 December 2019.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Deposits Paid as at 31 December 2018. There were no satisfactory alternative audit procedures that we could adopt to determine whether any provision for impairment of the Deposits Paid should be made in the consolidated financial statements for the year ended 31 December 2018. Any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and amounts presented in cash flows of the Group for the years ended 31 December 2019 and 2018 and the financial position of the Group as at 31 December 2018.

3. ***Investment in associates***

Fujian Yuguo Chaye Limited ("Fujian Yuguo")

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditors (the "**Predecessor Auditors**"), who expressed a qualified opinion on those statements on 29 March 2018. The Predecessor Auditors were unable to satisfy themselves about (i) the recoverable amount of the Group's investment in Fujian Yuguo, an associate of the Group, whose carrying amount as at 31 December 2017 was approximately HK$46,110,000; (2) whether impairment loss of HK$15,000,000 was properly recognised for the year ended 31 December 2017; and (3) whether share of results of HK$770,000 and share of exchange translation difference of associate HK$1,997,000 were properly recognised for the year ended 31 December 2017.

Any adjustment to the figures mentioned above might have had consequential effects on the impairment loss of approximately HK$16,360,000 recognised on the investment in Fujian Yuguo for the year ended 31 December 2018.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK$302,325,000 for the year ended 31 December 2019 and was in net current liability position of approximately HK$317,014,000 as at 31 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter.

KEY AUDIT MATTERS

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

1. Provision for expected credit losses ("ECL") of trade receivables

Refer to notes 25 and 37 to the consolidated financial statements.

As at 31 December 2019, the Group had gross trade and bills receivables of approximately HK$40,161,000 (2018: HK$49,585,000) and provision for impairment of approximately HK$3,062,000 (2018: HK$8,156,000).

ECL for trade receivables are based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgment.

We have identified ECL assessment of trade receivables as a key audit matter because assessing ECL of trade receivables is a subjective area as it requires the management's judgment and uses of estimates.

Our procedures in relation to management's ECL assessment on trade receivables included:

- Reviewing and assessing the application of the Group's policy for calculating the ECL;
- Evaluating techniques and methodology adopted by the management in the ECL model against the requirements of HKFRS 9;
- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances;
- Inquiring management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers;
- Evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimation of ECL; and
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2019 to the underlying financial records and post year-end settlement to bank receipts.

2. Investment in associates

Refer to note 21 to the consolidated financial statements.

Included in investment in associates in the consolidated statement of financial position as at 31 December 2019 are investment in Multijoy Development Limited (''Multijoy"), Fujian Yuguo Chaye Limited ("Fujian Yuguo"), Anhui Fu Lao Wine Development Company Limited ("Anhui Fu Lao") and USO Management & Holding Co. Ltd. ("USO") of approximately HK$171,027,000, HK$1,072,000, HK$134,037,000 and HK$269,924,000 respectively.

The Group tested the amounts of investment in Multijoy, Fujian Yuguo, Anhui Fu Lao and USO for impairment. This impairment test is significant to our audit because the balances of investment in these associates 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 by management and external valuation specialists.

With the assistance from our engaged valuation specialists, our audit procedures included, among others:

— Assessing the competence, independence and objectivity of the external valuers engaged by the Group;

— Challenging the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

— Assessing the arithmetical accuracy of value-in-use and fair value less costs of disposal calculations;

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

— Checking input data to supporting 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. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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 performed, we conclude that there is a material misstatement of the other information, we are required to report that fact we have nothing to report in this regard.

As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the opening balances and corresponding figures in respect of certain items of inventories and prepayment, deposits and other receivables and corresponding figures in respect of certain investment in associates. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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.

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

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

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

KTC Partners CPA Limited
Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph
Audit Engagement Director
Practising Certificate Number P04686

Hong Kong, 29 May 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	6	**199,952**	214,605
Cost of sales		**(158,266)**	(149,334)
Gross profit		**41,686**	65,271
Other income	8	**4,453**	2,997
Selling and distribution costs		**(28,312)**	(32,262)
Administrative expenses		**(89,325)**	(113,265)
Other (losses)/gains, net	8	**(4,893)**	745
Finance costs	9	**(34,923)**	(25,808)
Impairment losses under expected credit loss model, net of reversal	10	**(2,795)**	(20,450)
Impairment of exploration and evaluation assets	19	**–**	(88,758)
Impairment of investment in associates	21	**(40,142)**	(16,360)
Gain on disposal of subsidiaries	49	**27,087**	–
Prepayments, deposits and other receivables written-off		**(106,708)**	–
Share of result of associates		**(68,315)**	4,754
Loss before income tax		**(302,187)**	(223,136)
Income tax (expense)/credit	11	**(138)**	11,566
Loss for the year	12	**(302,325)**	(211,570)
Loss attributable to:			
— equity holders of the Company		**(301,937)**	(208,066)
— non-controlling interests		**(388)**	(3,504)
		(302,325)	(211,570)
Loss per share attributable to the equity holders of the Company		**HK cents**	HK cents
Basic and diluted loss per share	15	**(3.11)**	(2.70)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000 (Restated)
Loss for the year	**(302,325)**	(211,570)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties	**2,645**	3,105
Deferred tax effect on revaluation of properties	**(432)**	–
Surplus on revaluation of financial assets at fair value through other comprehensive income ("**FVTOCI**")	**–**	58,818
Items that may be reclassified to profit or loss:		
Exchange differences reclassified upon disposal of subsidiaries	**(26,802)**	–
Exchange difference arising from translation of foreign operations	**(2,458)**	(22,094)
Share of exchange translation difference of associates	**8,491**	–
Other comprehensive (loss)/income for the year, net of tax	**(18,556)**	39,829
Total comprehensive loss for the year	**(320,881)**	(171,741)
Total comprehensive loss attributable to:		
— equity holders of the Company	**(320,493)**	(168,237)
— non-controlling interests	**(388)**	(3,504)
	(320,881)	(171,741)

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	16	**69,272**	78,660
Right-of-use assets	17	**4,979**	–
Investment properties	18	**12,170**	14,902
Other intangible asset	20	**1,000**	1,012
Investment in associates	21	**576,060**	346,106
Financial assets at fair value through other comprehensive income ("**FVTOCI**")	22	**3,435**	133,000
Deferred income tax assets	23	**182**	198
Prepayments, deposits and other receivables	26	**–**	2,249
		667,098	576,127
Current assets			
Inventories	24	**24,000**	70,758
Trade and bills receivables	25	**37,099**	43,301
Prepayments, deposits and other receivables	26	**81,157**	181,029
Bank balances and cash	27	**18,519**	21,818
		160,775	316,906
Assets of a disposal group classified as held for sale	28	**–**	20,514
		160,775	337,420
Total assets		**827,873**	913,547
Current liabilities			
Trade payables	29	**7,469**	12,982
Accruals and other payables	30	**141,785**	172,853
Income tax payable		**961**	740
Promissory notes	31	**270,538**	153,607
Lease liabilities	32	**1,533**	–
Obligation under finance leases	33	**–**	324
Borrowings	34	**55,503**	95,333
		477,789	435,839
Net current liabilities		**(317,014)**	(98,419)
Total assets less current liabilities		**350,084**	477,708

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Non-current liabilities			
Deferred income tax liabilities	23	**14,920**	14,968
Borrowings	34	**–**	6,545
Lease liabilities	32	**3,457**	–
Obligation under finance leases	33	**–**	417
		18,377	21,930
Net assets		**331,707**	455,778
Equity			
Share capital	35	**981,039**	811,039
Reserves		**(654,741)**	(361,058)
Equity attributable to owners of the Company		**326,298**	449,981
Non-controlling interests		**5,409**	5,797
Total equity		**331,707**	455,778

The consolidated financial statements on pages 37 to 135 were approved and authorised for issue by the board of directors on 29 May 2020 and are signed on its behalf by:

Approved by:

Zhang Qijun
Director

Chen Jian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Attributable to owners of the Company											
	Notes	Share capital HK$'000	Share premium Note (a) HK$'000	Statutory surplus Note (b) HK$'000	Contributed surplus Note (c) HK$'000	Foreign currency translation reserve Note (d) HK$'000	Share-based payment reserve Note (e) HK$'000	Property revaluation reserve Note (f) HK$'000	Fair value reserve for financial assets at FVTOCI HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018		710,039	1,523,602	4,375	303	85,726	28,364	59,183	–	(1,941,406)	470,186	9,301	479,487
Loss for the year		–	–	–	–	–	–	–	–	(208,066)	(208,066)	(3,504)	(211,570)
Other comprehensive loss for the year		–	–	–	–	(13,538)	–	3,105	58,818	–	48,385	–	48,385
Issue of consideration shares	35	101,000	(71,710)	–	–	–	–	–	–	–	29,290	–	29,290
Forfeiture of share option	39	–	–	–	–	–	(19,145)	–	–	19,145	–	–	–
As 31 December 2018 and 1 January 2019 – As previously stated		811,039	1,451,892	4,375	303	72,188	9,219	62,288	58,818	(2,130,327)	339,795	5,797	345,592
Prior year adjustment (note 21(d))		–	118,742	–	–	(8,556)	–	–	–	–	110,186	–	110,186
At 31 December 2018 and 1 January 2019 – As restated		811,039	1,570,634	4,375	303	63,632	9,219	62,288	58,818	(2,130,327)	449,981	5,797	455,778
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(301,937)**	**(301,937)**	**(388)**	**(302,325)**
Other comprehensive loss for the year		**-**	**-**	**-**	**-**	**(20,769)**	**-**	**2,213**	**-**	**-**	**(18,556)**	**-**	**(18,556)**
Release upon disposal of subsidiaries	49	**-**	**-**	**(1,414)**	**-**	**-**	**-**	**-**	**-**	**1,414**	**-**	**-**	**-**
Issue of consideration shares	35	**170,000**	**26,810**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**196,810**	**-**	**196,810**
Forfeiture of share options	39	**-**	**-**	**-**	**-**	**-**	**(9,219)**	**-**	**-**	**9,219**	**-**	**-**	**-**
At 31 December 2019		**981,039**	**1,597,444**	**2,961**	**303**	**42,863**	**-**	**64,501**	**58,818**	**(2,421,631)**	**326,298**	**5,409**	**331,707**

Notes:

(a) Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) In accordance with the relevant regulations of the People's Republic of China (the "PRC"), the subsidiaries of the Group registered in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant regulations and the articles of association of these PRC subsidiaries, the statutory reserve may be used to offset the accumulated losses, or for capitalisation as paid-up capital of the subsidiaries.

(c) The contributed surplus of the Group represents the excess of the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited over the nominal value of Company's shares issued in exchange thereof.

(d) The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

(e) Share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to certain directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payment reserve in note 4 to the consolidated financial statements.

(f) The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note 4 to the consolidated financial statements.

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 income tax		**(302,187)**	(223,136)
Adjustments for:			
Amortisation of other intangible asset		**12**	12
Depreciation of property, plant and equipment		**8,188**	7,442
Depreciation of right-of-use assets		**2,125**	–
Provision for impairment of trade receivables		**2,795**	3,915
Provision for impairment of other receivables		**–**	16,535
Impairment of exploration and evaluation assets		**–**	88,758
Impairment of investment in associates		**40,142**	16,360
Gain on disposal of subsidiaries		**(27,087)**	–
Prepayment, deposit and other receivables written-off		**106,708**	–
Fair value loss on investment properties		**2,562**	–
Interest expenses		**34,923**	25,808
Interest income		**(1,883)**	(2,202)
Other payables written off		**(1,574)**	–
Write-off of other receivables		**6,987**	–
Write-off and loss on disposals of property, plant and equipment		**296**	1,105
Write-down of inventory to net realisable value		**26,269**	849
Share of result of associates		**68,315**	(4,754)
Operating loss before working capital changes		**(33,409)**	(69,308)
Changes in inventories		**1,793**	(4,146)
Changes in trade receivables		**1,495**	(13,601)
Changes in bills receivables		**1,872**	–
Changes in prepayments, deposits and other receivables		**2,120**	(36,383)
Changes in trade payables		**(5,386)**	4,850
Changes in accruals and other payables		**6,835**	58,962
Cash used in operations		**(24,680)**	(59,626)
Interest paid		**(1,098)**	–
Income taxes (paid)/refunded, net		**(352)**	504
Net cash used in operating activities		**(26,130)**	(59,122)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Cash flows from investing activities		
Interest received	**10**	8
Dividend received from associates	**–**	11,639
Purchase of property, plant and equipment	**(3,748)**	(2,020)
Proceeds from disposal of subsidiaries	**18,074**	–
Net cash generated from investing activities	**14,336**	9,627
Cash flows from financing activities		
Bank and other loans raised	**36,777**	56,782
Repayment of bank and other loans	**(25,420)**	(19,349)
Proceeds from issue of promissory notes	**–**	22,279
Repayment of promissory notes	**–**	(18,970)
Repayment of lease liabilities/obligation under finance leases	**(2,334)**	(348)
Net cash generated from financing activities	**9,023**	40,394
Net decrease in cash and cash equivalents	**(2,771)**	(9,101)
Cash and cash equivalents at the beginning of the year	**21,818**	31,581
Effect of foreign exchange rate changes	**(528)**	(662)
Cash and cash equivalents at end of the year	**18,519**	21,818

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Flat E, 20/F., Lucky Plaza, 315–321 Lockhart Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the manufacturing and trading of toys and gifts items and the investment in various businesses including fruit plantation, leisure and culture.

2. BASIS OF PREPARATION

Going concern basis

The Group incurred a loss of approximately HK$302,325,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of approximately HK$317,014,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(1) The Group is in negotiation with financial institutions to obtain sufficient new borrowings;

(2) After 31 December 2019, certain promissory note holders and creditors with an aggregate amount of approximately HK$124,673,000 and HK$50,326,000 included in promissory notes and accruals and other payable respectively, as set out in note 31 and note 30, have agreed not to demand for repayment for the amount due before 21 May 2021;

(3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds;

(4) The Group entered into conditional subscription agreement for the bond subscription with an aggregate principal amount of HK$500 million, details of which are set out in the Company's announcement dated 14 October 2019, 26 November 2019 and 5 December 2019; and

(5) A shareholder of the Company, has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the above measures to be undertaken by the Group and the financial support from a shareholder. The directors of the Group are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2019. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

3. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

3. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 16 Leases *(continued)*

As a lessee *(continued)*

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK$6,963,000 and right-of-use assets of approximately HK$7,046,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The lessee's incremental borrowing rate applied is ranged from 2.61% to 5.88%.

	At 1 January 2019 HK$'000
Total operating lease commitments disclosed at 31 December 2018	9,910
Recognition exemptions:	
— Leases with remaining lease term of less than 12 months	(3,880)
Operating leases liabilities before discounting	6,030
Adjustments relating to change in the index	947
Discounting using incremental borrowing rate	(755)
Operating leases liabilities	6,222
Finance leases obligation	741
Total lease liabilities recognised upon application of HKFRS 16	6,963
Current	2,027
Non-current	4,936
	6,963

3. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 16 Leases *(continued)*

As a lessee *(continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	At 1 January 2019 HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	6,222
Reclassified from assets held under finance leases *(Note)*	824
	7,046
By class:	
Office premises	6,222
Motor vehicles	824
	7,046

Note: In relation to assets previously classified as held under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$824,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$324,000 and HK$417,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

3. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange 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 basis, except for leasehold land and buildings, investment properties and financial assets at FVTOCI which are carried at their fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that uses unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins with the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in associates

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

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

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

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation

(a) Functional and presentation currency

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

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

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

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

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 foreign currency translation reserve.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Land and buildings comprise mainly factories and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

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

Leasehold land and buildings	Over the lease terms
Leasehold improvements	Shorter of 10 years or over the lease terms
Plant and machinery	5 to 10 years
Moulds	2 to 10 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	4 to 5 years

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are land and/or buildings held to earn rentals or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include cost of acquiring exploration right, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies.

Exploration and evaluation assets are classified as such and carried forward as long as:

(i) the exploration right is current;

(ii) the Group plans and has sufficient fund to continue the explorations; and

(iii) the technical feasibility and commercial viability of extracting a mineral resource are not yet demonstrable.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining right and are amortised.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount.

Assets of a disposal group classified as held for sale

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets of a disposal group classified as held for sale *(continued)*

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and

- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

Trademark

Trademark is measured initially at purchase cost and is amortised on a straight-line basis over its estimated useful lives of 99 years.

Leases

(a) Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

(b) The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

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

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

(ii) Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The principal annual rates are as follows:

Leased properties	1 to 5 years
Motor vehicle	4 to 5 years

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

(iii) Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

(b) The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) *(continued)*

(iv) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

(b) The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) *(continued)*

(v) Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

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

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(c) The Group as a lessee (prior to 1 January 2019)

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

(d) The Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

(e) Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

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 and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

(a) Financial assets

(i) Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

(a) ***Financial assets*** *(continued)*

(i) Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(ii) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve for financial assets at FVTOCI; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

(a) ***Financial assets*** *(continued)*

(iv) Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets at amortised cost which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balance or collectively using a provision matrix with similar credit risk characteristics based primarily on the debtors' aging profiles.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

(a) ***Financial assets*** *(continued)*

(iv) Impairment of financial assets (continued)

Significant increase in credit risk *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that result in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

(a) ***Financial assets*** *(continued)*

(iv) Impairment of financial assets (continued)

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

(a) Financial assets (continued)

(iv) Impairment of financial assets (continued)

Measurement and recognition of ECL *(continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped by considering the following factors:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve for financial assets at FVTOCI is not reclassified to profit or loss, but is transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

(b) Financial liabilities and equity

(i) Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss ("FVTPL").

(iv) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

(b) Financial liabilities and equity *(continued)*

(iv) Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

(v) Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

(vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

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

The Group also participates in a defined contribution retirement scheme organized by the government in 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) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and 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 temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

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

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except deferred income tax assets 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.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group. Details are explained in note 2 to the consolidated financial statements.

(b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties in the PRC that are measured using the fair value model, the directors have reviewed the Group's investment property in the PRC portfolios and concluded that the Group's investment properties in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties in the PRC over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties in the PRC, the directors have rebutted the presumption that investment properties in the PRC measured using the fair value model are recovered through sale.

For the purposes of measuring deferred tax for investment properties in Hong Kong that are measured using the fair value model, the directors have reviewed the Group's investment property in Hong Kong portfolios and concluded that the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties in Hong Kong, the directors have adopted the presumption that investment properties in Hong Kong measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

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

(a) Fair values of investment properties, leasehold land and buildings

In making its estimates, the Group considers the information from the valuations of investment properties (note 18) and leasehold land and buildings (note 16) performed by an external professional valuer by using the market approach. Had the Group used different valuation techniques, the fair value of the investment properties, leasehold land and buildings would be different and thus may have an impact on the consolidated financial statements.

The fair values of investment properties and leasehold land and buildings would change by approximately HK$1,217,000 (2018: HK$1,490,000) and approximately HK$6,120,000 (2018: approximately HK$6,320,000) respectively if the market values of comparable properties or the unobservable inputs adopted under the valuation approach differ by 10% from the Group's estimates.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period. The carrying amount of inventories at 31 December 2019 was approximately HK$24,000,000 (2018: HK$70,758,000). During the year ended 31 December 2019, the Group recognised write-down of ceramic items and finished goods of approximately HK$24,971,000 (2018: HK$Nil) and HK$1,298,000 (2018: HK$1,324,000) respectively to net realisable value.

(c) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging of trade receivables groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 25 and 37.

(d) Current and deferred income taxes

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

Deferred income tax assets relating to certain temporary difference and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(e) Estimated impairment of investments in an associate and non-financial assets

The Group assesses whether investments in an associate and non-financial assets have suffered any impairment in accordance with the accounting policy. The recoverable amounts of investments in an associate and non-financial assets have been determined based on value in use calculations or market valuations. These calculations require the use of judgement and estimates, in particular of future revenue or cash flow. Management believes that any reasonable possible deviation from any of these assumptions would not cause the aggregate carrying amounts of cash-generating units to exceed their recoverable amounts.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(f) Fair value of financial assets at FVTOCI

The fair value of financial assets at FVTCOI has been valued based on a combination of valuation technique and key unobservable inputs. The valuation requires the management to exercise judgement to determine the inputs used in valuation. The judgements include considerations of inputs such as growth rate, discount rate, marketability discount and minority interest discount. Change in assumption about these factors could affect the reported fair value of financial assets at FVTOCI.

(g) Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

6. REVENUE

(a) Disaggregation of revenue from contracts with customers

	2019 **HK$'000**	2018 HK$'000
Sales of toys and gifts items	**199,952**	214,605
Timing of revenue recognition At point in time	**199,952**	214,605

(b) Performance obligations for contracts with customers

Revenue from sales of toys and gifts items is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. Invoices are usually payable within 60 days.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for toys and gifts items such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of toys and gifts items that had an original expected duration of one year or less.

7. OPERATING SEGMENT INFORMATION

The Group has five reportable and operating segments as follows:

Exploration	—	Exploration of natural resources
Toys and gifts items	—	Manufacturing and trading of toys and gifts items
Fruit plantation	—	Investment in business related to fruit plantation through associates of the Group
Leisure	—	Investment in the PRC outbound tourism and tea and wine products related business through associates or subsidiaries of the Group
Culture	—	Investment in cultural items

The Group's reportable and operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different economic characteristics.

Segment results do not include corporate finance costs and other corporate income and expenses. Segment assets do not include assets at corporate level. Segment liabilities do not include liabilities at corporate level.

(a) Information about reportable segment revenue, results, assets and liabilities are as follows:

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Year ended 31 December												
Revenue from external customers	**–**	–	**199,952**	214,605	**–**	–	**–**	–	**–**	–	**199,952**	214,605
Segment profit/(loss)	**24,685**	(80,141)	**(6,700)**	(11,952)	**(81,762)**	4,124	**(145,559)**	(52,990)	**(24,971)**	–	**(234,307)**	(140,959)
Depreciation and amortisation	**–**	–	**(6,838)**	(5,418)	**–**	–	**(1,350)**	(1,408)	**–**	–	**(8,188)**	(6,826)
Impairment of investment in an associate	**–**	–	**–**	–	**(38,642)**	–	**(1,500)**	(16,360)	**–**	–	**(40,142)**	(16,360)
Impairment of exploration and evaluation assets	**–**	(88,758)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(88,758)
Provision for impairment of trade receivables	**–**	–	**(2,795)**	(3,915)	**–**	–	**–**	–	**–**	–	**(2,795)**	(3,915)
Provision for impairment of loan and other receivables	**–**	–	**–**	–	**–**	–	**–**	(16,535)	**–**	–	**–**	(16,535)
Prepayment, deposit and other receivables written-off	**–**	–	**–**	–	**–**	–	**(106,708)**	–	**–**	–	**(106,708)**	–
Write-down of inventory to its net realisable value	**–**	–	**(1,298)**	–	**–**	–	**–**	–	**(24,971)**	–	**(26,269)**	–
Gain on disposal of subsidiaries	**25,002**	–	**–**	–	**–**	–	**2,085**	–	**–**	–	**27,087**	–
Share of result of associates	**–**	–	**–**	–	**(41,480)**	4,719	**(26,835)**	35	**–**	–	**(68,315)**	4,754
Interest income	**–**	–	**10**	8	**–**	–	**–**	2,194	**–**	–	**10**	2,202
Interest expenses	**–**	–	**(1,465)**	(1,445)	**–**	–	**(7)**	(6,504)	**–**	–	**(1,472)**	(7,949)
Income tax credit/(expense)	**–**	14,405	**872**	(1,782)	**(1,010)**	(1,057)	**–**	–	**–**	–	**(138)**	11,566
At 31 December												
Segment assets	**3,436**	20,837	**157,410**	164,769	**451,047**	312,968	**195,111**	354,376	**10,332**	35,303	**817,336**	775,929
Segment liabilities	**–**	(702)	**(56,859)**	(71,349)	**(3,073)**	(2,063)	**(1)**	(72,434)	**–**	–	**(59,933)**	(146,548)
Additions to segment non-current assets	**–**	–	**3,748**	2,017	**224,000**	–	**–**	148,032	**–**	–	**227,748**	150,049
Investment in associates included in segment assets	**–**	–	**–**	–	**440,951**	179,968	**135,109**	166,138	**–**	–	**576,060**	346,106

7. OPERATING SEGMENT INFORMATION *(continued)*

(b) Reconciliations of reportable segment profit or loss, assets and liabilities:

	2019 HK$'000	2018 HK$'000
Reconciliation of segment loss:		
Total loss of reportable segments	**(234,307)**	(140,959)
Unallocated amount:		
Corporate finance costs	**(33,451)**	(17,859)
Other corporate income and expenses	**(34,567)**	(52,752)
Loss for the year	**(302,325)**	(211,570)

	2019 HK$'000	2018 HK$'000 (Restated)
Reconciliation of segment assets:		
Total assets of reportable segments	**817,336**	775,929
Unallocated corporate assets		
Bank and cash balances	**115**	10,072
Prepayments, deposits and other receivables	**10,422**	127,546
	10,537	137,618
Total assets	**827,873**	913,547

	2019 HK$'000	2018 HK$'000
Reconciliation of segment liabilities:		
Total liabilities of reportable segments:	**59,933**	146,548
Unallocated corporate liabilities		
Borrowings	**26,802**	31,727
Accruals and other payables	**138,893**	125,887
Promissory notes	**270,538**	153,607
	436,233	311,221
Total liabilities	**496,166**	457,769

7. OPERATING SEGMENT INFORMATION *(continued)*

(c) Geographical information:

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)
The PRC (including Hong Kong)	**2,065**	7,474	**390,766**	437,579
North America[1]	**196,228**	205,043	**2,791**	3,101
European Union[2]	**416**	416	**–**	–
Others[3]	**1,243**	1,672	**269,924**	–
	199,952	214,605	**663,481**	440,680

1 North America includes the United States of America (the "**USA**") and Canada.

2 European Union includes Spain, Italy, France and the United Kingdom.

3 Others include Middle East, South America, Southeast Asia and Samoa.

The geographical location of customer is based on the location at which the goods were delivered and information about the non-current assets including property, plant and equipment, right-of-use assets, investment properties, other intangible asset and investment in associates, classified in accordance with geographical location of the assets at the end of the reporting period.

Revenue from two (2018: two) customers, accounted for more than 10% of the Group's total revenue for the year, represented approximately 65% of the total Group's revenue for the year ended 31 December 2019 (2018: 62%), which are shown as follows:

	2019	2018
	HK$'000	HK$'000
Customer A	**107,361**	111,410
Customer B	**–**[1]	22,494
Customer C	**22,963**	–[1]

1 The corresponding revenue did not contribute 10% or more of the total revenue of the Group in the respective year.

8. OTHER INCOME/OTHER (LOSSES)/GAINS, NET

	2019 HK$'000	2018 HK$'000
Other income		
Bank interest income	**10**	8
Loan interest income	**–**	2,194
Other interest income	**1,873**	–
Rental income from investment properties	**169**	412
Other payables written off	**1,574**	–
Others	**827**	383
	4,453	2,997
Other (losses)/gains, net		
Fair value loss on investment properties	**(2,562)**	–
Net foreign exchange (loss)/gain	**(2,331)**	745
	(4,893)	745

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expenses on:		
Bank borrowings and overdrafts	**1,098**	1,389
Other loans	**11,585**	14,968
Trust receipt loans	**259**	19
Interest on lease liabilities	**304**	37
Promissory notes	**21,677**	9,395
	34,923	25,808

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 HK$'000	2018 HK$'000
Impairment losses recognised on:		
— Trade receivables	**2,795**	3,915
— Other receivables	**–**	16,535
	2,795	20,450

11. INCOME TAX (EXPENSE)/CREDIT

	2019 **HK$'000**	2018 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**(115)**	(475)
Current tax — Overseas		
Provision for the year	**(458)**	(1,273)
Total current tax	**(573)**	(1,748)
Deferred income tax credit	**435**	13,314
Income tax (expense)/credit	**(138)**	11,566

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits arising from Hong Kong during the year.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxations on overseas profits have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

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

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

	2019 HK$'000	2018 HK$'000
Loss before income tax	**(302,187)**	(223,136)
Tax at the applicable tax of 16.5% (2018: 16.5%)	**(49,861)**	(36,817)
Tax effect of income that is not taxable	**(993)**	(164)
Tax effect of expenses that are not deductible	**17,759**	49,319
Tax effect of utilisation of tax losses not previously recognised	**–**	–
Tax effect of temporary differences not recognised	**(1,060)**	(13,992)
Tax effect of share of result of associates	**12,938**	–
Tax effect of PRC dividend withholding tax	**1,010**	1,058
Tax effect of unused tax losses not recognised	**17,641**	360
Over-provision for prior years	**–**	(30)
Tax reduction	**(20)**	(20)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,724**	(11,280)
Income tax expense/(credit)	**138**	(11,566)

Tax charge relating to each component of other comprehensive income is as follows:

	2019			2018		
	Amount before tax HK$'000	**Tax HK$'000**	**Amount after tax HK$'000**	Amount before tax HK$'000 (Restated)	Tax HK$'000 (Restated)	Amount after tax HK$'000 (Restated)
Exchange differences on translating foreign operations	**(2,458)**	**–**	**(2,458)**	(22,094)	–	(22,094)
Surplus on revaluation of properties	**2,645**	**(432)**	**2,213**	3,105	–	3,105
Share of exchange translation difference of associates	**8,491**	**–**	**8,491**	–	–	–
Exchange differences reclassified upon disposal of subsidiaries	**(26,802)**	**–**	**(26,802)**	–	–	–
Surplus on revaluation of financial assets at FVTOCI	**–**	**–**	**–**	58,818	–	58,818
Other comprehensive loss	**(18,124)**	**(432)**	**(18,556)**	39,829	–	39,829
Current tax		**–**			–	
Deferred income tax (note 23)		**(432)**			–	
		(432)			–	

12. LOSS FOR THE YEAR

The Group's loss for the year is arrived after charging the following:

	2019 HK$'000	2018 HK$'000
Amortisation of other intangible asset	**12**	12
Auditor's remuneration	**2,000**	1,800
Cost of inventories recognised as expense (note)	**158,266**	149,334
Depreciation of property, plant and equipment	**8,188**	7,442
Depreciation of right-of-use assets	**2,125**	–
Write-off of other receivables	**6,987**	–
Expense relating to short-term lease and other leases with lease terms within 12 months/operating lease rentals on premises	**4,041**	8,020
Loss on write-off of property, plant and equipment	**443**	1,105
Staff costs (including directors' remuneration)		
Salaries, bonus and allowance	**39,288**	63,928
Retirement benefits scheme contributions	**2,061**	3,797
	41,349	67,725

Note: The cost of inventories recognised as an expense in cost of sales included approximately HK$24,971,000 (2018: HK$nil) and HK$1,298,000 (2018: HK$1,324,000) in respect of write-down of ceramic items and finished goods respectively to net realisable value.

13. DIRECTORS' EMOLUMENTS

(a) The emoluments of each director were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2019				
Executive directors:				
Mr. Hui Kee Fung *(Former Chairman and retired on 28 June 2019)*	–	2,324	9	2,333
Mr. Yu Won Kong, Dennis *(Former Chief executive officer and retired on 28 June 2019)*	–	2,742	–	2,742
Mr. Zhang Qijun *(Chairman)*	–	200	–	200
Mr. Zhang Yun *(retired on 28 June 2019)*	–	148	–	148
Ms. Yi Meixuan *(resigned on 25 January 2019)*	–	159	–	159
Mr. Shu Zhongwen *(retired on 28 June 2019)*	–	356	–	356
Mr. Pun Yat Kan Ken *(retired on 28 June 2019)*	–	401	9	410
Ms. Cui Yu *(appointed on 29 January 2019 and suspended on 22 March 2019)*	–	189	–	189
Mr. Chen Jian *(appointed on 2 July 2019)*	–	99	–	99
Mr. Liu Mingqing *(appointed on 27 March 2020)*	–	–	–	–
Independent non-executive directors:				
Mr. So Chun Pong, Ricky	71	–	–	71
Mr. Wang Xiao Ning	144	–	–	144
Mr. Cheng Ho On *(appointed on 23 March 2019)*	93	–	–	93
Mr. Cheung Man Loon, Michael *(Retired on 28 June 2019)*	89	–	–	89
Mr. Chan Man Kit *(resigned on 5 January 2019)*	2	–	–	2
Mr. Kong Chun Wing *(appointed on 2 July 2019)*	60	–	–	60
Mr. Lai Chi Yin Samuel *(appointed on 16 January 2020)*	–	–	–	–
Mr. Leung Chi Sum *(appointed on 19 February 2020 and suspended on 4 March 2020)*	–	–	–	–
Mr. Un Ga Wei *(appointed on 19 February 2020 and suspended on 4 March 2020)*	–	–	–	–
	459	6,618	18	7,095

13. DIRECTORS' EMOLUMENTS *(continued)*

(a) The emoluments of each director were as follows: *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2018				
Executive directors:				
Mr. Hui Kee Fung *(Chairman)*	–	4,550	18	4,568
Mr. Yu Won Kong, Dennis *(Chief executive officer)*	–	4,550	–	4,550
Mr. Zhang Qijun	–	164	–	164
Mr. Zhang Yun	–	300	–	300
Ms. Yi Meixuan *(appointed on 2 August 2018 and resigned on 25 January 2019)*	–	248	–	248
Mr. Shu Zhongwen *(appointed on 25 October 2018)*	–	145	–	145
Mr. Pun Yat Kan Ken *(re-designated as executive director on 8 November 2018)*	–	114	2	116
Ms. Cui Yu *(appointed on 29 January 2019 and suspended on 22 March 2019)*	–	–	–	–
Independent non-executive directors:				
Mr. So Chun Pong, Ricky	136	–	–	136
Mr. Wang Xiao Ning	136	–	–	136
Mr. Cheung Man Loon, Michael	160	–	–	160
Mr. Chan Man Kit *(appointed on 25 October 2018 and resigned on 5 January 2019)*	22	–	–	22
Mr. Pun Yat Kan Ken *(appointed on 25 October 2018 and re-designated as executive director on 8 November 2018)*	5	–	–	5
	459	10,071	20	10,550

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those person's other services in connection with the management of the affairs of the Company and its subsidiaries.

13. DIRECTORS' EMOLUMENTS *(continued)*

(b) Five highest paid individuals

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

	2019 HK$'000	2018 HK$'000
Salaries, wages and allowances	**8,029**	4,617
Retirement benefits scheme contributions	**562**	54
	8,591	4,671

The emoluments fell within the following band:

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

During the year, no emoluments (2018: HK$Nil) were paid by the Group to the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2019 and 2018.

15. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK$301,937,000 (2018: HK$208,066,000) and the weighted average number of ordinary shares of 9,707,916,000 (2018: 7,695,313,000) in issue during the year.

(b) Diluted loss per share

There was no dilutive potential ordinary shares outstanding during the year as the Company's outstanding share options for the years ended 31 December 2019 and 2018 had anti-dilutive effects. Accordingly, the diluted loss per share is same as basic loss per share for both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST/VALUATION:							
At 1 January 2018	63,200	10,111	13,812	22,878	12,724	4,794	127,519
Additions	–	537	91	554	838	–	2,020
Reclassification to disposal group held for sale	–	–	–	–	(147)	(1,043)	(1,190)
Disposal/written off	–	(3,228)	–	–	(998)	(280)	(4,506)
Exchange difference	–	(176)	(441)	(487)	(50)	176	(978)
At 31 December 2018	**63,200**	**7,244**	**13,462**	**22,945**	**12,367**	**3,647**	**122,865**
Adjustments upon application of HKFRS 16	**–**	**–**	**–**	**–**	**–**	**(1,578)**	**(1,578)**
At 1 January 2019 (restated)	**63,200**	**7,244**	**13,462**	**22,945**	**12,367**	**2,069**	**121,287**
Additions	**–**	**545**	**39**	**2,142**	**579**	**443**	**3,748**
Adjustment on revaluation	**(2,000)**	**–**	**–**	**–**	**–**	**–**	**(2,000)**
Disposal/written off	**–**	**(3,304)**	**(5,588)**	**(3,859)**	**(1,833)**	**(773)**	**(15,357)**
Exchange difference	**–**	**(78)**	**(162)**	**(132)**	**(80)**	**(33)**	**(485)**
At 31 December 2019	**61,200**	**4,407**	**7,751**	**21,096**	**11,033**	**1,706**	**107,193**
ACCUMULATED DEPRECIATION:							
At 1 January 2018	–	5,779	6,838	21,713	7,654	2,953	44,937
Charge for the year	3,105	1,221	780	832	1,025	479	7,442
Adjustment on revaluation to equity	(3,105)	–	–	–	–	–	(3,105)
Reclassification to disposal group held for sale	–	–	–	–	(147)	(939)	(1,086)
Disposal/written off	–	(2,539)	–	–	(862)	–	(3,401)
Exchange difference	–	–	(134)	(369)	3	(82)	(582)
At 31 December 2018	**–**	**4,461**	**7,484**	**22,176**	**7,673**	**2,411**	**44,205**
Adjustments upon application of HKFRS 16	**–**	**–**	**–**	**–**	**–**	**(754)**	**(754)**
At 1 January 2019 (restated)	**–**	**4,461**	**7,484**	**22,176**	**7,673**	**1,657**	**43,451**
Charge for the year	**4,615**	**604**	**722**	**654**	**1,415**	**178**	**8,188**
Adjustment on revaluation	**(4,615)**	**–**	**–**	**–**	**–**	**–**	**(4,615)**
Disposal/written off	**–**	**(2,455)**	**(1,159)**	**(3,473)**	**(1,051)**	**(700)**	**(8,838)**
Exchange difference	**–**	**(38)**	**(61)**	**(96)**	**(47)**	**(23)**	**(265)**
At 31 December 2019	**–**	**2,572**	**6,986**	**19,261**	**7,990**	**1,112**	**37,921**
CARRYING AMOUNTS:							
At 31 December 2019	**61,200**	**1,835**	**765**	**1,835**	**3,043**	**594**	**69,272**
At 31 December 2018	63,200	2,783	5,978	769	4,694	1,236	78,660

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

An analysis of the cost/valuation of the above assets is as follows:

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2019							
At cost	**–**	**4,407**	**7,751**	**21,096**	**11,033**	**1,706**	**45,993**
At valuation	**61,200**	**–**	**–**	**–**	**–**	**–**	**61,200**
	61,200	**4,407**	**7,751**	**21,096**	**11,033**	**1,706**	**107,193**
31 December 2018							
At cost (restated)	–	7,244	13,462	22,945	12,367	2,069	58,087
At valuation	63,200	–	–	–	–	–	63,200
	63,200	7,244	13,462	22,945	12,367	2,069	121,287

An analysis of the carrying amounts of the Group's leasehold land and buildings is as follows:

	2019 HK$'000	2018 HK$'000
Held under medium term leases in Hong Kong	**61,200**	63,200

At 31 December 2019, the Group's property, plant and equipment with an aggregate carrying amount of approximately of HK$60,000,000 (2018: HK$62,100,000) were pledged to secure banking facilities granted to the Group.

At 31 December 2018, the Group's property, plant and equipment with an aggregate carrying amount of approximately HK$824,000 was held under finance lease (note 33).

The Group's leasehold land and buildings were revalued at 31 December 2019 and 2018 on the open market value basis by reference to market evidence of recent transactions for similar properties by Weisi Limited, an independent firm of qualified professional valuer.

The carrying amount of the Group's leasehold land and buildings would have been HK$1,835,000 (2018: HK$1,901,000) had they been stated at cost less accumulated depreciation and impairment losses.

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
As 31 December 2018	–	–	–
Adoption of HKFRS 16	6,222	1,578	7,800
As at 1 January 2019	6,222	1,578	7,800
Adjustments relating to change in the index	75	–	75
Effect of foreign currency exchange difference	(25)	–	(25)
As at 31 December 2019	6,272	1,578	7,850
Accumulated depreciation			
At 31 December 2018	–	–	–
Adoption of HKFRS 16	–	754	754
As at 1 January 2019	–	754	754
Depreciation charge	1,809	316	2,125
Effect of foreign currency exchange difference	(8)	–	(8)
As at 31 December 2019	1,801	1,070	2,871
Carrying Value			
At 31 December 2019	4,471	508	4,979
At 1 January 2019	6,222	824	7,046
Payment of lease liabilities	1,986	348	2,334
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	4,041	–	4,041

18. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
At 1 January	**14,902**	15,500
Fair value loss	**(2,562)**	–
Exchange differences	**(170)**	(598)
At 31 December	**12,170**	14,902

Investment properties were revalued at 31 December 2019 and 2018 on the open market value basis by reference to market evidence of recent transactions for similar properties by Weisi Limited, an independent firm of qualified professional valuer.

At 31 December 2019, the Group's investment properties with an aggregate carrying amount of approximately HK$8,270,000 (2018: HK$11,802,000) were pledged to secure banking facilities granted to the Group.

19. EXPLORATION AND EVALUATION ASSETS

	HK$'000
Cost	
At 1 January 2018	1,331,138
Exchange difference	(63,886)
Transferred to assets of a disposal group classified as held for sale	(1,267,252)
At 31 December 2018, 1 January 2019 and 31 December 2019	–
Accumulated impairment loss	
At 1 January 2018	1,216,467
Impairment loss recognised	88,758
Exchange difference	(58,383)
Transferred to assets of a disposal group classified as held for sale	(1,246,842)
At 31 December 2018, 1 January 2019 and 31 December 2019	–
Carrying amount	
At 31 December 2019	–
At 31 December 2018	–

19. EXPLORATION AND EVALUATION ASSETS *(continued)*

The exploration and evaluation assets represent exploration rights of Bayanhushuo Coal Field ("**BCF**") and Guerbanhada Coal Mine ("**GCM**"). During the year ended 31 December 2018, the management of the Company was being informed that the approval of the master planning of GCM from the National Development and Reform Commission of the PRC and the National Energy Commission of the PRC was very remote. On the consideration of the best interest of shareholders, and based on the valuation performed by the professional valuer on 1 November 2018, the management decided to dispose the Group's 80% equity interest in Inner Mongolia Mingrunfeng Energy Co., Ltd. and Inner Mongolia Run Heng Mining Company Limited (the "**Disposal Group**"), which held BCF and GCM respectively. On 15 December 2018, the Disposal Group was bid at open market auction. The disposal was completed on 15 January 2019. The sales proceeds of the Disposal Group was RMB15,000,000. In accordance with HKFRS 5 the assets and liabilities of the Disposal Group have been written down to their fair value less cost of disposal and an impairment of approximately HK$88,758,000 was recognised for the year ended 31 December 2018. The assets and liabilities of the Disposed Group are classified as assets of a disposal group classified at held for sale at 31 December 2018 (see note 28).

20. OTHER INTANGIBLE ASSET

	Trademark HK$'000
Cost	
At 1 January 2018, 31 December 2018 and 31 December 2019	1,155
Accumulated amortisation	
At 1 January 2018	131
Amortisation for the year	12
At 31 December 2018 and 1 January 2019	143
Amortisation for the year	12
At 31 December 2019	155
Carrying amount	
At 31 December 2019	1,000
At 31 December 2018	1,012

21. INVESTMENT IN ASSOCIATES

	2019 HK$'000	2018 HK$'000 (Restated)
Unlisted investments:		
Share of net assets	**403,304**	346,106
Goodwill	**698,144**	603,007
	1,101,448	949,113
Impairment losses	**(525,388)**	(603,007)
	576,060	346,106

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

(a) Multijoy Group

Name	Multijoy Developments Limited ("**Multijoy**")
Principal place of business/country of incorporation	The PRC/British Virgin Islands
Principal activities	Fruit plantation

	Note	2019	2018
% of ownership interests		**40%**	40%
	Note	**HK$'000**	HK$'000
At 31 December:			
Non-current assets		**528,066**	556,827
Current assets		**37,705**	38,409
Non-current liabilities		**(131,160)**	(138,272)
Current liabilities		**(7,044)**	(7,044)
Net assets		**427,567**	449,920
Group's share of net assets		**171,027**	179,968
Goodwill		**453,886**	453,886
		624,913	633,854
Impairment losses		**(453,886)**	(453,886)
Carrying amount of Group's interests		**171,027**	179,968
Year ended 31 December:			
Revenue		**33,925**	35,503
Profit before tax		**15,081**	15,772
Profit after tax		**11,280**	11,797
Other comprehensive loss		**(8,389)**	(23,153)
Total comprehensive income/(loss)		**2,891**	(11,356)
Dividends received from associates		**10,098**	11,040

21. INVESTMENT IN ASSOCIATES *(continued)*

(b) Eagle Praise Group

Name	Eagle Praise Limited ("**the Eagle Praise Group**")
Principal place of business/country of incorporation	The PRC/British Virgin Islands
Principal activities	Dormant

	2019	2018
% of ownership interests	**20%**	20%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**–**	–
Current assets	**–**	–
Non-current liabilities	**–**	–
Current liabilities	**–**	–
Net assets	**–**	–
Group's share of net assets	**–**	–
Goodwill	**117,761**	117,761
	117,761	117,761
Written off	**(117,761)**	–
Impairment losses	**–**	(117,761)
Carrying amount of Group's interests	**–**	–

On 23 April 2015, the Group completed the acquisition of 20% equity interest in the Eagle Praise Group, a company incorporated in the BVI with limited liability, at a total consideration satisfied by (i) the issue of 150,000,000 new ordinary shares of the Company in two equal tranches of 75,000,000 ordinary shares each; and (ii) a promissory note of HK$92,000,000 issued by the Company.

It was subsequently discovered by the Group that the representations made by the vendor in respect of the business of the Eagle Praise Group were false and misleading. As a result, full provision for impairment of investment in the Eagle Praise Group of approximately HK$117,761,000 was made during the year ended 31 December 2016, and the investment was fully written off during the year ended 31 December 2019.

21. INVESTMENT IN ASSOCIATES *(continued)*

(c) Fujian Yuguo Chaye Limited

Name	Fujian Yuguo Chaye Limited ("**Fujian Yuguo**")
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Trading of tea products

	2019	2018
% of ownership interests	**33%**	33%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**6,355**	66,791
Current assets	**2,152**	26,899
Non-current liabilities	**–**	(7,819)
Current liabilities	**(711)**	(2,221)
Net assets	**7,796**	83,650
Group's share of net assets	**2,572**	27,605
Goodwill	**31,360**	31,360
	33,932	58,965
Impairment losses	**(32,860)**	(31,360)
Carrying amount of Group's interests	**1,072**	27,605
Year ended 31 December:		
Revenue	**1,338**	14,693
Loss before tax	**(83,177)**	(1,739)
Loss after tax	**(75,391)**	(1,645)
Other comprehensive loss	**(463)**	(3,043)
Total comprehensive loss	**(75,854)**	(4,688)
Dividends received from associate	**–**	599

As the recoverable amount of Fujian Yuguo is lower than its carrying amount, an impairment of approximately HK$1,500,000 (2018: HK$16,360,000) was recognised for the year ended 31 December 2019.

21. INVESTMENT IN ASSOCIATES *(continued)*

(d) Anhui Fu Lao Wine Development Company Limited

Name	Anhui Fu Lao Wine Development Company Limited ("Anhui Fu Lao")
Principal place of business/country of incorporation	The PRC/the PRC
Principal activities	Trading of wine products

	2019	2018
% of ownership interests	**20%**	20%

	HK$'000	HK$'000 (Restated)
At 31 December:		
Non-current assets	**84,144**	96,778
Current assets	**641,253**	655,546
Non-current liabilities	**(13,410)**	(13,663)
Current liabilities	**(41,799)**	(46,003)
Net assets	**670,188**	692,658
Group's share of net assets	**134,037**	138,533
Year ended 31 December:		
Revenue	**26,911**	17,012
(Loss)/profit before tax	**(8,201)**	3,857
(Loss)/profit after tax	**(9,776)**	2,893
Other comprehensive loss	**(12,695)**	(50,394)
Total comprehensive loss	**(22,471)**	(47,501)
Dividend received from associate	**–**	–

During the year ended 31 December 2018, the Group acquired of 20% equity interest in Anhui Fu Lao, at a total consideration satisfied by the issue of 1,010,000,000 new ordinary shares of the Company of HK$0.1 each at issue price of HK$0.1 per share.

21. INVESTMENT IN ASSOCIATES *(continued)*

(d) Anhui Fu Lao Wine Development Company Limited *(continued)*

In the consolidated financial statements for the financial year ended 31 December 2018, the fair values of identifiable assets and liabilities of Anhui Fu Lao and of the Group's cost of acquisition have been determined on a provisional basis pending the finalization of their fair value measurements. The provisional fair values of identifiable assets and liabilities of the Anhui Fu Lao were based on the carrying amounts of the assets and liabilities in the accounts of Anhui Fu Lao, whilst the provisional fair value used for the cost of acquisition was determined based on market price of the quoted shares of the Company issued as consideration for the acquisition, rather than the fair value of the 20% equity interests of Anhui Fu Lao on completion day. As a result, the resulting goodwill attributable to the interests in Anhui Fu Lao has also been determined on a provisional basis.

During the measurement period of within twelve months following the acquisition, the Group recognised retrospective adjustments to the provisional amounts at the acquisition date, and the fair value for the cost of acquisition was determined based on fair value of the 20% equity interests of Anhui Fu Lao on completion day, as determined by external valuers engaged by the Company.

The effect of the adjustment arising from the acquisition under the equity method on acquisition is summarised as follows:

	At 31 December 2018		
	As previously stated	**Restated**	**Increase/ (Decrease)**
	HK$'000	HK$'000	HK$'000
Carrying amount of Group's interest in the associate	28,347	138,533	110,186
Group's share of net assets	21,116	138,533	117,417
Goodwill included in interest in associate	7,231	–	(7,231)
Share of exchange translation difference of associate	(1,522)	(10,078)	(8,556)
Share premium	(71,710)	47,032	118,742

As stated in the Company's announcement dated 18 March 2020, the acquisition of 20% equity interest in Anhui Fu Lao was completed on 31 May 2018, but the transfer of the Group's ownership of 20% equity interest and registration procedures had yet to complete at 31 December 2019 due to limited services provided by the relevant government authority resulting from the effect of outbreak of the coronavirus in the PRC.

21. INVESTMENT IN ASSOCIATES *(continued)*

(e) USO Management & Holding Co. Ltd.

Name	USO Management & Holding Co. Ltd. ("**USO**")
Principal place of business/country of incorporation	Samoa/Samoa
Principal activities	Trading of noni fruit

	2019
% of ownership interests	**47%**
	HK$'000
At 31 December:	
Non-current assets	**77,617**
Current assets	**140,379**
Non-current liabilities	**(7,954)**
Current liabilities	**(6,493)**
Net assets	**203,549**
Group's share of net assets	**95,668**
Goodwill	**212,898**
	308,566
Impairment losses	**(38,642)**
Carrying amount of Group's interests	**269,924**
Year ended 31 December:	
Revenue	**156,959**
Loss before tax	**(97,855)**
Loss after tax	**(97,855)**
Other comprehensive loss	**(1,707)**
Total comprehensive loss	**(99,562)**
Dividend received from associate	**–**

21. INVESTMENT IN ASSOCIATES *(continued)*

(e) USO Management & Holding Co. Ltd. *(continued)*

In addition to 19% equity interest in USO, which was classified as financial assets at FVTOCI at 31 December 2018 (see note 22), the Group acquired further 28% equity interest in USO on 23 January 2019 at a total consideration satisfied by (i) the issue of 1,700,000,000 new ordinary shares of the Company and (ii) a promissory note in the principal amount of HK$30,000,000 issued by the Company. The cost of acquisition of the further 28% equity interest in USO was determined by reference to the fair value of 28% equity interest of USO on completion day.

Upon completion of 28% equity interest in USO on 23 January 2019, the Group's 19% equity interest of approximately HK$133,000,000 previously held in USO was reclassified to investment in associates. As at 31 December 2019, the Group held a total of 47% equity interest in USO.

As the recoverable amount of USO is lower than its carrying amount, an impairment of approximately HK$38,642,000 was recognised for the year ended 31 December 2019.

As stated in note 50(a), on 10 February 2020, the Group issued 300,000,000 new ordinary shares at the issue price of HK$0.1 each to the vendor of USO for the settlement of the promissory note in the principal amount of HK$30,000,000 issued as the partial settlement of the acquisition of 28% equity interest in USO as mentioned above.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 **HK$'000**	2018 HK$'000
Unlisted investments		
— Equity securities	**3,435**	133,000

At 31 December 2019, the unlisted equity investments represented the Group's remaining 20% equity interest in the Disposal Group (note 28) and note 49(a). The directors of the Company have elected to designated these investments in equity instruments at FVTOCI as the investments are held for long-term strategic purpose. The Disposal Group is not regarded as associates of the Group because the Group has less than one-fifth of the voting power of the Disposal Group and there is no director of the Disposal Group was appointed by the Group. In the opinion of directors of the Company, the fair value of the equity investments at fair value through other comprehensive income at 31 December 2019 approximated its fair value at initial recognition and no more recent information about the Disposed Group was made available to the Group which indicated otherwise.

At 31 December 2018, the unlisted equity investments represented the Group's 19% equity interest in USO. The investment was remeasured at its fair value and reclassified as investment in associates upon completion of the acquisition of further 28% equity interest in USO on 23 January 2019 (see note 21(e)).

23. DEFERRED INCOME TAX

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

	Decelerated tax depreciation HK$'000	Accelerated tax depreciation HK$'000	Revaluation surplus on investment properties and leasehold land and buildings HK$'000	Exploration and evaluation assets HK$'000	PRC dividend withholding tax HK$'000	Total HK$'000
At 1 January 2018	188	(82)	(13,897)	(14,523)	–	(28,314)
(Charge)/credit to profit or loss for the year	10	(43)	–	14,405	(1,058)	13,314
Exchange differences	–	–	112	118	–	230
At 31 December 2018 and 1 January 2019	**198**	**(125)**	**(13,785)**	**–**	**(1,058)**	**(14,770)**
Charge to equity for the year	**–**	**–**	**(432)**	**–**	**–**	**(432)**
(Charge)/credit to profit or loss for the year	**(16)**	**(9)**	**1,470**	**–**	**(1,010)**	**435**
Exchange differences	**–**	**–**	**29**	**–**	**–**	**29**
At 31 December 2019	**182**	**(134)**	**(12,718)**	**–**	**(2,068)**	**(14,738)**

The following is the analysis of the deferred income tax balances (after offset) for the consolidated statement of financial position purposes:

	2019 HK$'000	2018 HK$'000
Deferred income tax assets	**182**	198
Deferred income tax liabilities	**(14,920)**	(14,968)
	(14,738)	(14,770)

At the end of the reporting period the Group has unused tax losses of HK$19,568,000 (2018: HK$36,784,000) available for offset against future profits. No deferred income tax assets have been recognised due to the unpredictability of future taxable profit of these subsidiaries. Tax losses may be carried forward indefinitely.

24. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**4,934**	6,194
Work in progress	**755**	7,348
Finished goods	**7,979**	21,913
	13,668	35,455
Ceramic items	**10,332**	35,303
	24,000	70,758

The cost of inventories recognised as an expense in cost of sales included approximately HK$24,971,000 (2018: HK$nil) and HK$1,298,000 (2018: HK$1,324,000) in respect of write-down of ceramic items and finished goods respectively to net realisable value.

25. TRADE AND BILLS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables — contract with customers	**40,161**	49,585
Less: Allowance for credit losses	**(3,062)**	(8,156)
Trade receivables, net	**37,099**	41,429
Bills receivables	**–**	1,872
	37,099	43,301

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**9,253**	12,367
31 days to 90 days	**25,387**	11,032
91 days to 180 days	**2,459**	12,059
181 days to 360 days	**–**	5,902
Over 360 days	**–**	69
	37,099	41,429

25. TRADE AND BILLS RECEIVABLES *(continued)*

As of 31 December 2019, trade receivables of approximately HK$12,137,000 (2018: approximately HK$10,397,000) were past due but not credit-impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables based on invoice date, is as follows:

	2019 **HK$'000**	2018 HK$'000
Within 90 days	**10,576**	7,200
91 days to 180 days	**1,561**	496
181 days to 360 days	**–**	2,693
Over 360 days	**–**	8
	12,137	10,397

Details of impairment assessment are set out in note 37.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current portion			
Prepayment		**–**	2,249
		–	2,249
Current portion			
Deposits for sales right of a property development	(a)	**–**	102,100
Deposits for the acquisition of partial interest in a company	(b)	**–**	10,000
Prepayment for corporation agreement		**–**	8,505
Trade deposits	(c)	**62,434**	14,105
Deposit and other receivables		**14,519**	41,281
Loan receivable	(d)	**–**	11,044
Prepayment		**–**	1,902
Amount due from a former director	(e)	**4,204**	8,407
		81,157	197,344
Less: Allowance for credit losses		**–**	(16,315)
		81,157	181,029
		81,157	183,278

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

		HK$'000
(a)	At 31 December 2017, 2018 and 1 January 2019	102,100
	Exchange difference	4,608
	At 31 December 2019	106,708
	Less: Write-off	(106,708)
		–

Based on the legal opinion, the directors considered that the deposits for the sales right of a property development of approximately HK$106,708,000 were not recoverable, and hence was written off during the year ended 31 December 2019.

(b) During the year ended 31 December 2018, the Group issued a promissory note of HK$10,000,000 as a refundable deposits of part of the consideration upon completion for further acquisition of 28% equity interest in USO. The deposit was refunded upon the completion of the acquisition during the year ended 31 December 2019.

(c) Included in trade deposits at 31 December 2019 are amounts of approximately HK$60,000,000 which were paid by issuance of the Company's promissory notes with principal amount of HK$60,000,000 in aggregate during the year ended 31 December 2019 to the suppliers for purchasing wine and juice. The transactions are expected to complete during the second half of year 2020.

(d) The loan receivable was unsecured, interest bearing at 24% per annum and derecognised upon disposal of a subsidiary during the year ended 31 December 2019.

(e) Amount due from a former director

	2019 **HK$'000**	2018 HK$'000	Maximum outstanding balance during the year HK$'000
Zhang Yun	**4,204**	8,407	8,407

Mr. Zhang Yun retired as director of the Company on 28 June 2019. The amount is secured by a guarantee from a promissory note holder, interest free and will be repayable within one year.

(f) Details of impairment assessment are set out in note 37.

27. BANK AND CASH BALANCES

As at 31 December 2019, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$3,742,000 (2018: HK$1,577,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

For the year ended 31 December 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

28. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As disclosed in note 19, the Disposal Group was disposed to an independent third party on 15 January 2019. The Disposal Group is included in the Group's Exploration segment for segment reporting purposes (note 7). The following major classes of assets and liabilities relating to the Disposal Group have been classified as held for sale in the consolidated statement of financial position at 31 December 2018.

	2019 **HK$'000**	2018 HK$'000
Property, plant and equipment	–	104
Exploration and evaluation assets	–	20,410
	–	20,514

In accordance with HKFRS 5, the assets and liabilities of the Disposal Group at 31 December 2018 have been written down to their fair value less costs to sell of HK$20,514,000, which was determined based on the disposal price for the 80% equity interest to be sold by the Group. This is a non-recurring fair value measurement.

29. TRADE PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	5,454	11,405
31 days to 90 days	1,118	1,311
91 days to 180 days	223	165
181 days to 360 days	498	–
Over 360 days	176	101
	7,469	12,982

30. ACCRUALS AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Other payables (note (a))	31,726	31,015
Bill payables	1,077	–
Obligation under share re-purchase arrangement (note 35(a))	8,000	–
Other accruals	40,955	66,081
Accrued salaries	18,766	16,533
Interest payables	39,817	28,910
Receipts in advance	233	19,720
Due to related parties (note 44(b)(ii))	1,211	10,594
	141,785	172,853

Note:

(a) Other payables are non-interest-bearing and generally have an average term of 30 days.

31. PROMISSORY NOTES

	Notes	Total HK$'000
At 1 January 2018		137,900
Issuance of promissory notes	(a), (b)	44,677
Repayment of promissory notes		(18,970)
Cancellation of promissory note returned		(10,000)
At 31 December 2018 and 1 January 2019		153,607
Issuance of promissory notes	(a), (c)	**130,993**
Repayment of promissory notes		**(4,670)**
Cancellation of promissory note returned		**(10,000)**
Imputed Interest		**608**
At 31 December 2019		**270,538**

	2019 HK$'000	2018 HK$'000
An analysis is shown as follows:		
Not yet overdue	**55,150**	22,398
Overdue	**215,388**	131,209
	270,538	153,607

	2019 HK$'000	2018 HK$'000
Analysed as:		
Current liabilities	**270,538**	153,607
Non-current liabilities	**–**	–
	270,538	153,607

31. PROMISSORY NOTES *(continued)*

Notes:

(a) During the year ended 31 December 2019, the Group did not issue promissory notes (2018: HK$10,590,000) for cash. Those promissory notes were unsecured and had a maturity period of less than one year. The fair value of the promissory note approximates their carrying amount.

The interest rate of the promissory notes are as follows:

	2019 **HK$'000**	2018 HK$'000
15% to 24%	–	10,590
	–	10,590

(b) During the year ended 31 December 2018, the Group issued promissory note of (i) HK$10,000,000 as a refundable deposits for acquisition of 28% equity interest in USO. The promissory note was refunded and cancelled by the Group upon completion of the acquisition in 2019; (ii) HK$2,119,000 to set off against trade payables. The promissory note is unsecured, interest bearing at 24% per annum and with maturity date on 30 August 2018, (iii) HK$9,570,000 in total for settling consultancy fees. The promissory notes are unsecured, interest bearing at 12% per annum and with maturity dates of 31 July 2018 and 30 April 2018, and (iv) HK$12,398,000 for settling of other borrowings. The promissory note is unsecured, interest bearing at 24% per annum and with maturity date of 20 January 2019.

(c) During the year ended 31 December 2019, the Group issued promissory notes of (i) principal amount of HK$60,000,000 in aggregate for trade deposits (see note 26(c)). The promissory notes with aggregate principal amount of HK$20,000,000 are unsecured, interest-free and with maturity due on 3 September 2020. The promissory notes are measured at amortised cost using the effective interest rate method with effective interest rate at 10.33% per annum. The remaining promissory notes with aggregate principal amount of HK$40,000,000 are unsecured, non-interest bearing and has a maturity period of three months after the date of issue. The fair value of the promissory notes approximate their carrying amount; (ii) principal amount of approximately HK$28,744,000 to set off against other payables. The promissory notes are unsecured, interest bearing at 28% per annum and with maturity date after one year after the date of issue, and (iii) principal amount of HK$30,000,000 as partial consideration for the acquisition of 28% equity interest in USO (see note 21(e)). The promissory note is unsecured, interest-free and has a maturity period after one year the date of issue. The promissory notes are measured at amortised cost using effective interest method with effective interest rate at 10.33% per annum.

As stated in note 50(a), on 10 February 2020, the promissory note in the principal amount of HK$30,000,000 issued for the partial consideration of 28% equity interest as mentioned above was returned for cancellation, and in return, the Company issued 300,000,000 ordinary shares at the issue price of HK$0.1 each as the full and final settlement of the promissory note in the principal amount of HK$30,000,000 as per the deed of settlement dated 14 January 2020 entered into between the Group and the vendor of USO.

32. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	**1,533**
Within a period of more than one year but not more than two years	**1,447**
Within a period of more than two years but not more than five years	**2,010**
Within a period of more than five years	**–**
Less: Amount due for settlement with 12 months shown under current liabilities	**1,533**
Amount due for settlement after 12 months shown under non-current liabilities	**3,457**

33. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payments 2018 HK$'000	**Present value of minimum lease payments** 2018 HK$'000
Within one year	348	324
In the second to fifth years, inclusive	433	417
	781	741
Less: Future finance charges	(40)	N/A
Present value of lease obligations	741	741
Less: Amount due for settlement within 12 months (shown under current liabilities)		(324)
Amount due for settlement after 12 months		417

The Group's finance lease payables are secured by the lessor's title to the leased assets.

34. BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans	**10,095**	11,217
Other loans	**45,408**	90,661
	55,503	101,878
Analysed as:		
Secured	**10,095**	11,633
Unsecured	**45,408**	90,245
	55,503	101,878
The carrying amounts of the above borrowings are repayable:		
On demand or within one year	**55,503**	95,333
More than one year but not exceeding two years	**–**	5,810
More than two years but not exceeding five years	**–**	735
	55,503	101,878

The average interest rates at 31 December were as follows:

	2019	2018
Bank loans	**5%**	6%
Other loans	**16%**	14%

Borrowings of HK$44,328,000 (2018: HK$94,426,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. The remaining borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The directors estimate the fair values of the Group's borrowings to be approximated to its carrying amounts as at the end of the reporting periods.

Notes:

(i) The Group's property, plant and equipment with carrying amount as at 31 December 2019 of approximately HK$60,000,000 (2018: HK$62,100,000) and investment properties with carrying amount as at 31 December 2019 of approximately HK$8,270,000 (2018: HK$11,802,000) were pledged as security for the Group's borrowings with carrying amount as at 31 December 2019 of approximately HK$6,705,000 (2018: HK$7,452,000).

(ii) The Group's borrowing of approximately HK$Nil (2018: HK$621,000) were secured by a personal guarantee by the director of the Company.

(iii) The Group's borrowing of approximately HK$9,874,000 (2018: HK$11,013,000) were secured by personal guarantee by directors or senior management of subsidiaries of the Group.

35. SHARE CAPITAL

	Notes	Number of shares 2019	Number of shares 2018	Amount 2019 HK$'000	Amount 2018 HK$'000
Ordinary shares of HK$0.10 each					
Authorised:					
At 1 January and 31 December		**30,000,000,000**	30,000,000,000	**3,000,000**	3,000,000

	Notes	Number of shares 2019	Number of shares 2018	Amount 2019 HK$'000	Amount 2018 HK$'000
Issued and fully paid:					
At the beginning of the year		**8,110,381,596**	7,100,381,596	**811,039**	710,039
Issue of shares					
— upon settlement of liabilities	(a)	**80,000,000**	–	**8,000**	–
— upon acquisition of an associate	(b), (c)	**1,700,000,000**	1,010,000,000	**170,000**	101,000
At the end of the year		**9,890,381,596**	8,110,381,596	**989,039**	811,039
Classified as:					
Share capital		**9,810,381,596**	8,110,381,596	**981,039**	811,039
Obligation under share repurchase arrangement	(a)	**80,000,000**	–	**8,000**	–
		9,890,381,596	8,110,381,596	**989,039**	811,039

Notes:

(a) As stated in note 46(b), on 21 May 2019, the Company issued and allotted 80,000,000 ordinary shares of the Company at HK$0.10 per share (the "Shares") as settlement sum for HK$8,000,000 as partial settlement of Mr. Guo's debt of HK$17,600,000. As there is a buy-back clause for the Shares by the Company contained in the Settlement Deed, the Shares for HK$8,000,000 are classified as financial liabilities and presented as obligation under share repurchase arrangement instead of equity under share capital.

(b) As stated in note 21(e), during the year ended 31 December 2019, the Company issued 1,700,000,000 ordinary shares of HK$0.10 each for the acquisition of further 28% equity in USO.

(c) As stated in note 21(d) during the year ended 31 December 2018, the Company issued 1,010,000,000 ordinary shares of HK$0.10 each for the acquisition of 20% equity interest in Anhui Fu Lao.

36. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to continue with the expansion plan of the Group's businesses. In order to fund the daily operation and the expansion of the businesses of the Group, significant amounts of capital in the form of borrowing or equity, or a combination of both, is considered to be necessary in the future. The directors consider such funding for the future operation and expansion will be available as and when required.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, or sell assets to reduce debts. No changes had been made in the objectives, policies and processes during the years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is the Group's net debts (comprising trade payables, accruals and other payables, income tax payable, promissory notes, lease liabilities/obligation under finance lease and borrowings less bank and cash balances) over its total equity. The Group policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2019 was 139.5% (2018: 92.4%).

The Group is not subject to any externally imposed capital requirements.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets at amortised costs	**39,676**	82,242
Financial assets at FVTOCI	**3,435**	133,000
Financial liabilities:		
Financial liabilities at amortised costs	**474,071**	440,394
Lease liabilities	**4,990**	–

(b) Financial risk management objectives and policies

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

(i) Market risk

Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies (Hong Kong Dollars ("HK$"), Renminbi ("RMB") and United States Dollars ("US$")) of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As HK$ is pegged with US$, management is of the view that there is no significant foreign exchange risk to the Group.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(i) ***Market risk*** *(continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings.

The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

No sensitivity analysis of interest rate is presented as change in interest rate has no material effect on pretax loss as a result of change in interest rate applied to the Group's variable-rate loans.

(ii) ***Credit risk and impairment assessment***

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bills receivables, other receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

The Group has concentration of credit risk as 52% (2018: 46%) and 78% (2018: 75%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group also performs impairment assessment under ECL model on trade receivables individually or based on provision matrix. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure. Impairment of HK$2,795,000 (2018: HK$3,915,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Credit risk and impairment assessment (continued)

Bills receivables

The credit risk associated with bills receivables, which are all bank acceptance drafts, is limited because the accepting bank will cashes the bills unconditionally when the entity presents these bills.

Bank balances

The credit risk of the Group on liquid funds is limited because the majority of the counterparties are international banks and state-owned banks with good reputation.

Apart from the credit-impaired other receivables as disclosed in the note below, the credit risk on other receivables is also limited because of the natures of these balances, credit quality of the counterparties and the historical settlement record.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Bank balances and cash	27	**N/A**	**12-month ECL**	**18,519**
Trade receivables	25	**(note i)**	**Lifetime ECL**	**40,161**
Other receivables	26	**(note ii)**	**12-month ECL**	**14,519**
Amount due from a former director	26	**(note ii)**	**12-month ECL**	**4,204**

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Credit risk and impairment assessment (continued)

2018	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Bank balances and cash	27	N/A	12-month ECL	21,818
Trade receivables	25	(note i)	Lifetime ECL	49,585
Bills receivables	25	N/A	12-month ECL	1,872
Loan receivable	26	(note ii)	12-month ECL	11,044
Other receivables	26	(note ii)	12-month ECL	24,746
		(note iii)	Lifetime ECL	16,535
Amount due from a director	26	(note ii)	12-month ECL	8,407

Notes:

(i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the Group determines the ECL on these items by past due status.

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2019 and 2018, these balances are either not past due or doesn't have fixed repayment.

(iii) The directors of the Company considers credit risks have increased significantly and those past due more than 90 days are considered as credit-impaired.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers have common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Credit risk and impairment assessment *(continued)*

Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of HK$Nil respectively as at 31 December 2019 (2018: HK$10,465,000) were assessed individually.

Gross carrying amount	2019 Average loss rate	2019 Trade receivables	2018 Average loss rate	2018 Trade receivables
Current (not past due)	**0%**	**24,962**	0%	31,032
Within 90 days past due	**5%**	**11,197**	2%	7,347
91 days to 180 days past due	**59%**	**3,986**	20%	620
181 days to 360 days past due	**100%**	**11**	50%	81
Over 360 days past due	**100%**	**5**	80%	40
		40,161		39,120

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2019, the Group provided HK$2,795,000 (2018: HK$344,000) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of HK$Nil (2018: HK$3,571,000) were made on debtors with significant and credit impaired balances.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL HK$'000
As at 1 January 2018	4,510
Impairment losses recognised	3,915
Write-offs	(268)
Exchange difference	(1)
As at 31 December 2018	8,156
Impairment losses recognised	2,795
Write-offs	(7,890)
Exchange difference	1
As at 31 December 2019	3,062

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Credit risk and impairment assessment (continued)

Changes in the loss allowance for trade receivables are mainly due to:

	2019 HK$'000	2018 HK$'000
Changes in average loss rate/Net remeasurement of loss allowance	**2,795**	3,915
Write-off of trade receivables	**(7,890)**	(268)
Exchange difference	**1**	(1)
	(5,094)	3,646

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2018	–
Impairment losses recognised	16,535
Exchange difference	(220)
As at 31 December 2018	16,315
Write-off of other receivables	(16,315)
As at 31 December 2019	–

Changes in the loss allowance for other receivables are mainly due to:

	2019 HK$'000	2018 HK$'000
Increase in days past due over 90 days resulted in an increase in loss allowance	**–**	16,535
Write-off of other receivables	**(16,315)**	–
Exchange difference	**–**	(220)
	(16,315)	16,315

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iii) Liquidity risk

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

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2019						
Trade payables	**7,469**	**–**	**–**	**–**	**7,469**	**7,469**
Accruals and other payables	**141,785**	**–**	**–**	**–**	**141,785**	**141,785**
Promissory notes	**271,980**	**–**	**–**	**–**	**271,980**	**270,538**
Lease liabilities/Obligation under finance leases	**1,391**	**1,943**	**2,081**	**–**	**5,415**	**4,990**
Borrowings	**55,716**	**–**	**–**	**–**	**55,716**	**55,503**
	478,341	**1,943**	**2,081**	**–**	**482,365**	**480,285**

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 December 2018						
Trade payables	12,982	–	–	–	12,982	12,982
Accruals and other payables	172,853	–	–	–	172,853	172,853
Promissory notes	153,607	–	–	–	153,607	153,607
Obligation under finance leases	348	348	85	–	781	741
Borrowings	99,030	6,426	840	–	106,296	101,878
	438,820	6,774	925	–	446,519	442,061

38. FAIR VALUE MEASUREMENTS

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

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.

(a) Disclosures of level in fair value hierarchy

	Fair value measurements using:			
	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 31 December 2019				
Recurring fair value measurements:				
Leasehold land and building				
— Hong Kong	**–**	**–**	**61,200**	**61,200**
Investment properties				
— Hong Kong	**–**	**–**	**3,900**	**3,900**
— The PRC	**–**	**–**	**8,270**	**8,270**
Financial assets at FVTOCI	**–**	**–**	**3,435**	**3,435**
	–	**–**	**76,805**	**76,805**
At 31 December 2018				
Recurring fair value measurements:				
Leasehold land and building				
— Hong Kong	–	–	63,200	63,200
Investment properties				
— Hong Kong	–	–	3,100	3,100
— The PRC	–	–	11,802	11,802
Financial assets at FVTOCI	–	–	133,000	133,000
	–	–	211,102	211,102

38. FAIR VALUE MEASUREMENTS *(continued)*

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

	Investment properties HK$'000	Leasehold land and buildings HK$'000	Financial assets at FVTOCI HK$'000	Total HK$'000
At 1 January 2019	**14,902**	**63,200**	**133,000**	**211,102**
Total gains or losses recognised				
in profit or loss (#)	**(2,562)**	**–**	**–**	**(2,562)**
in other comprehensive income	**–**	**2,615**	**–**	**2,615**
Transfer	**–**	**–**	**(129,565)**	**(129,565)**
Depreciation	**–**	**(4,615)**	**–**	**(4,615)**
Exchange differences	**(170)**	**–**	**–**	**(170)**
At 31 December 2019	**12,170**	**61,200**	**3,435**	**76,805**
(#) Include gains or losses for assets held at the end of reporting period	**(2,562)**	**–**	**–**	**(2,562)**
At 1 January 2018	15,500	63,200	74,182	152,882
Total gains or losses recognised				
in profit or loss (#)	–	–	–	–
in other comprehensive income	–	3,105	58,818	61,923
Depreciation	–	(3,105)	–	(3,105)
Exchange differences	(598)	–	–	(598)
At 31 December 2018	14,902	63,200	133,000	211,102
(#) Include gains or losses for assets held at the end of reporting period	–	–	–	–

The total gains or losses recognised in other comprehensive income are presented in surplus on revaluation of properties in the consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other gains/(losses) in the consolidated profit or loss.

38. FAIR VALUE MEASUREMENTS *(continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements

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

At 31 December 2019

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Investment properties — Hong Kong	Direct comparison approach	Market price of car park	HK$1,600,000 to HK$2,400,000 per unit	Increase	3,900
Investment properties — the PRC	Direct comparison approach	Market price of office	HK$11,678 per square meter	Increase	8,270
Leasehold land and building — Hong Kong	Direct comparison approach	Market price of the leasehold land and building	HK$1,200,000 per unit	Increase	1,200
Leasehold land and building — Hong Kong	Direct comparison approach	Market price of the leasehold land and building	HK$3,800 per square feet	Increase	60,000

38. FAIR VALUE MEASUREMENTS *(continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements *(continued)*

At 31 December 2018

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Investment properties – Hong Kong	Direct comparison approach	Market price of car park	HK$1,590,000 per unit	Increase	3,100
Investment properties – the PRC	Direct comparison approach	Market price of office	HK$11,000 per square meter	Increase	11,802
Leasehold land and building – Hong Kong	Direct comparison approach	Market price of the leasehold land and building	HK$1,200,000 per unit	Increase	1,100
Leasehold land and building – Hong Kong	Direct comparison approach	Market price of the leasehold land and building	HK$3,675–HK$4,449 per square feet	Increase	62,100
Financial assets at FVTOCI	Discount cash flow	Cash flow	HK$10,760,814–HK$27,375,759 per year	Increase	133,000
		Discount rate	19%	Decrease	
		Marketability discount	31%	Decrease	
		Minority interest discount	21%	Decrease	
		Growth rate	2%	Increase	

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

39. SHARE OPTION SCHEME

The Company operates two share option schemes, namely the 2012 Share Option Scheme and the 2013 Share Option Scheme (collectively, the "Schemes") for the purpose of providing incentives and rewards to eligible participants who are invited at directors' discretion. The 2012 Share Option Scheme became effective on 28 May 2002 and was expired on 27 May 2012. Notwithstanding the expiration of the 2012 Share Option Scheme, its provisions would remain in force in all respects with respect to the outstanding share options granted under the 2012 Share Option Scheme. Due to the expiry of the 2012 Share Option Scheme, the Company adopted the 2013 Share Option Scheme which became effective on 31 May 2013, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive officer or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. 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 or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

39. SHARE OPTION SCHEME *(continued)*

Details of the specific categories of options are as follows:

Share option type	Date of grant	Vesting period	Exercise period	Exercise price HK$
2014 (a)	1 September 2014	N/A	1 September 2014 to 31 August 2019	0.4000
2015 (a)	14 July 2015	N/A	14 July 2015 to 13 July 2018	0.2320
2015 (b)	20 July 2015	N/A	20 July 2015 to 19 July 2018	0.2250
2015 (c)	1 September 2015	N/A	1 September 2015 to 31 August 2018	0.1308

Options are forfeited if the employee leaves the Group.

Details of the share options outstanding during the year are as follows:

	2019		2018	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**69,000,000**	**0.4000**	237,800,000	0.2785
Forfeited during the year	**(69,000,000)**	**0.4000**	(168,800,000)	0.2290
Outstanding at the end of the year	**–**	**–**	69,000,000	0.4000
Exercisable at the end of the year	**–**	**–**	69,000,000	0.4000

No share option was exercised and all share options granted were expired and forfeited during the year ended 31 December 2019.

The options outstanding at the year ended 31 December 2018 have a weighted average remaining contractual life of 0.17 years and the exercise price is HK$0.4000.

40. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

Statement of Financial Position of the Company

	2019 HK$'000	2018 HK$'000 (Restated)
Non-current asset		
Investments in subsidiaries	**274,033**	398,484
Amount due from subsidiaries	**359,034**	321,287
	633,067	719,771
Current assets		
Prepayments, deposits and other receivables	**1,691**	16,220
Amount due from a former director	**4,204**	8,407
Bank and cash balances	**29**	10,033
Total current assets	**5,924**	34,660
Current liabilities		
Accruals and other payables	**120,219**	119,304
Amount due to subsidiaries	**11,880**	13,971
Promissory notes	**270,538**	153,607
Borrowings	**26,802**	31,727
Total current liabilities	**429,439**	318,609
Net current liabilities	**(423,515)**	(283,949)
Total assets less current liabilities	**209,552**	435,822
Net assets	**209,552**	435,822
Equity		
Share capital	**981,039**	811,039
Reserves	**(771,487)**	(375,217)
	209,552	435,822

Zhang Qijun *Director*	**Chen Jian** *Director*

40. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(continued)*

Reserve

	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	1,523,602	125,161	28,364	1,909,203	(232,076)
Total comprehensive loss for the year	–	–	–	(190,173)	(190,173)
Issue of consideration shares	47,032	–	–	–	47,032
Forfeiture of share option	–	–	(19,145)	19,145	–
At 31 December 2018 and 1 January 2019 (Restated)	**1,570,634**	**125,161**	**9,219**	**(2,080,231)**	**(375,217)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(423,080)**	**(423,030)**
Issue of consideration shares	**26,810**	**–**	**–**	**–**	**26,810**
Forfeiture of share option	**–**	**–**	**(9,219)**	**9,219**	**–**
At 31 December 2019	**1,597,444**	**125,161**	**–**	**(2,494,092)**	**(771,487)**

41. LEASE COMMITMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK$'000
As lessor:	
Within one year	46
In the second to fifth years, inclusive	–
	46
As lessee:	
Within one year	3,263
In the second to fifth years, inclusive	6,647
	9,910

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

42. CAPITAL COMMITMENT

The Group did not have any significant capital commitment at 31 December 2019 and 2018.

43. CONTINGENT LIABILITIES

As at 31 December 2018 and 31 December 2019, the Group had no material contingent liabilities.

44. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2019 HK$'000	2018 HK$'000
Product development, sale and marketing services fee paid to Miracles for Fun USA, Inc. (note)	**–**	3,496

Note:

The sole owner of Miracles for Fun USA, Inc. is the director and beneficial owner of 49% (2018: 49%) equity interest in the Company's subsidiary, Marketing Resource Group, Inc..

(b) Outstanding balance with related parties

(i) Included in prepayments, deposits and other receivables

	2019 HK$'000	2018 HK$'000
Amount due from a former director/a director, Zhang Yun (Note 1)	**4,204**	8,407
Amount due from a subsidiary of an associate, 江西雅欣果業有限公司*	**–**	5,453
Prepayment, deposits and other receivables — Amount due from Mad About Gardening LLC.* (Note 2)	**448**	232

Notes:

1. The amount is secured by a guarantee from promissory note holder, interest free and will be repayable within one year.

2. The sole owner of Mad About Gardening LLC. is director and beneficial owner of 49% equity interest in the Company's subsidiary, Marketing Resource Group, Inc..

44. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balance with related parties *(continued)*

(ii) Included in accruals and other payables

	2019 HK$'000	2018 HK$'000
Amount due to directors*	**1,066**	1,468
Amount due to a relative of a director, Li Pik Ha*	**146**	9,126
Amount due to an associate, Fujian Yuguo Chaye Limited*	**–**	42

* The amounts due are unsecured, interest free and repayable on demand.

(iii) Included in promissory notes

	2019 HK$'000	2018 HK$'000
Promissory note payable to Shu Zhong Wen, a former director of the Company	**949**	2,119

(c) Key management compensation

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**12,432**	17,555
Retirement benefits scheme contributions	**508**	440
	12,940	17,995

(d) Guarantee provided by related parties

As at 31 December 2019, the Group's borrowings of approximately HK$Nil (2018: HK$621,000) and HK$9,874,000 (2018: HK$11,013,000) were secured by a personal guarantee by the Company's directors and a director or senior management of the Company's indirect non-wholly owned subsidiary, respectively.

45. NOTES TO THE CONSOLIDATION STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

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

	Lease liabilities/ Obligation under finance leases HK$'000	Promissory notes HK$'000	Borrowings HK$'000	Total liabilities from financing activities HK$'000
At 1 January 2018	1,052	137,900	78,441	217,393
Change in cash flows	(348)	3,309	37,433	40,394
Non-cash changes				
— Finance leases charges (including interest)	37	–	–	37
— Settlement of borrowings by issuance of promissory notes	–	12,398	(10,826)	1,572
Cancellation of promissory note as refundable deposit for acquiring 65% of a company	–	(10,000)	–	(10,000)
— Issuance of promissory note as deposit for acquiring 28% of a company	–	10,000	–	10,000
— Exchange difference	–	–	(3,170)	(3,170)
At 31 December 2018 and 1 January 2019	**741**	**153,607**	**101,878**	**256,226**
Adoption of HKFRS 16	**6,222**	**–**	**–**	**6,222**
Change in cash flows	**(2,334)**	**–**	**11,357**	**9,023**
Non-cash changes				
— Finance leases charges (including interest)	**305**	**–**	**–**	**305**
— Adjustments relating to change in the index	**75**	**–**	**–**	**75**
Disposal of a subsidiary	**–**	**–**	**(57,369)**	**(57,369)**
Settlement of liability	**–**	**38,196**	**–**	**38,196**
Cancellation of promissory note as refundable deposit for acquiring 28% of a company	**–**	**(10,000)**	**–**	**(10,000)**
— Issuance of promissory note as deposit for acquiring 28% of a company	**–**	**30,000**	**–**	**30,000**
Issuance of promissory note for trade deposit	**–**	**58,127**	**–**	**58,127**
Imputed interest	**–**	**608**	**–**	**608**
— Exchange difference	**(19)**	**–**	**(363)**	**(382)**
At 31 December 2019	**4,990**	**270,538**	**55,503**	**331,031**

45. NOTES TO THE CONSOLIDATION STATEMENT OF CASH FLOWS *(continued)*

(b) Major non-cash transactions

(i) Investment in associates

As detailed in note 21(d) & (e), a total number of 1,700,000,000 and 1,010,000,000 ordinary shares of the Company were issued as consideration for the acquisition of associates during the year ended 31 December 2019 and 2018 respectively.

As detailed in note 31(c) & 21(e), a promissory note with principal amount HK$30,000,000 of the Company was issued as consideration for the acquisition of an associate during the year ended 31 December 2019.

(ii) Prepayment, deposits and other receivables

As detailed in note 26(c), promissory notes with principal amount HK$60,000,000 in aggregate were issued for satisfying trade deposits required by the suppliers.

(iii) Settlement of other payables

As detailed in note 35(a) and note 46(b), a total number of 80,000,000 ordinary shares of the Company at HK$0.10 per share were issued for settlement of HK$8,000,000 as partial settlement of the debt of HK$17,600,000.

46. LITIGATIONS

(a) Chow Lai Wah Livia

Pursuant to a Loan Agreement dated 26 November 2018 entered into between Chow Lai Wah Livia ("Ms. Chow") as Lender and the Company as Borrower, Ms. Chow agreed to lend to the Company an amount of HK$20,000,000 for a term until 1 December 2019.

On 12 September 2019 and 10 October 2019, the Company received from Ms. Chow a writ of summons and a statement of claim issued by the High Court, respectively, against the Company as borrower for the outstanding amount of borrowing of HK$20,000,000 and interest rate of 1.25% per month from 27 May 2019 until payment. On 8 December 2019, the Company filed a defence and counterclaim to the High Court.

On 12 May 2020, the Company received a writ of summons from Ms. Chow issued by the High Court demanding an order that on favor of her amended statement of claim with interest and the Company's counterclaim be struck out.

46. LITIGATIONS *(continued)*

(b) Guo Jingsheng

On 8 June 2016 and 19 July 2016, the Company and a director of the Company received from Mr. Guo Jingsheng ("Mr. Guo") a writ of summons and an indorsement of claim issued by the High Court, respectively, against the Company as borrower and the director of the Company as guarantor for the outstanding amount of borrowing including interests of approximately HK$13,921,000.

A deed of settlement (the "Settlement Deed") was made between the Company, the director of the Company and Mr. Guo on 29 April 2019. Pursuant to the Settlement Deed, the Company would issue 80,000,000 ordinary shares of the Company at HK$0.10 per share (the "Shares") for the settlement of HK$8,000,000 as partial settlement of Mr. Guo's debt of approximately HK$17,600,000 as at 29 April 2019. The Settlement Deed contains a buy-back clause for the Shares by the Company should the quoted market price of the Company's shares fail to reach at least HK$0.10 per share within one year from the date of issue of the Shares. The Company issued and allotted the Shares to Mr. Guo on 21 May 2019. On 15 May 2020, the Company received a writ of summons from Mr. Guo demanding an order that the Company buy back the Shares from Mr. Guo.

As at the date of this report, the Company is liaising with Mr. Guo about the buy-back of the Shares and the outstanding amount of borrowings of approximately HK$9,600,000, which is included in accruals and other payables as at 31 December 2019.

(c) Everbright Centre

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Everbright Centre Company Limited ("Everbright Centre") (formerly known as Wing Siu Company Limited) as landlord and Super Dragon Management Limited ("Super Dragon"), a wholly-owned subsidiary of the Company, as tenant, and the Company as guarantor to Super Dragon, for a lease of premises for a term of three years from 15 December 2014 to 14 December 2017.

On 8 August 2016, Super Dragon and the Company received from Everbright Centre a writ of summons issued by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "High Court") with an indorsement of claim against Super Dragon and the Company jointly for (i) vacant possession of the premises; (ii) the outstanding total amount of rent, management fees, interests and other charges of approximately HK$3,886,000 as at 1 August 2016; (iii) rent, management fees and rates to the date of delivery of vacant possession of the Wanchai Property; (iv) damage for breach of the tenancy agreement to be assessed; (v) interest; (vi) costs; and (vii) further or other relief.

The Company vacated from the premises in the third quarter of 2017 and has settled part of the amount claimed above. As at 31 December 2019, the accumulated interest, rent and administrative fees accrued for the postponement of payment is approximately HK$4,503,000 which is included in accruals and other payables.

46. LITIGATIONS *(continued)*

(d) Cheung Kai Fung

On 17 April 2019, a former employee of the Company commenced proceedings in the Labour Tribunal of Hong Kong against the Company for claiming a total amount of approximately HK$2,354,000 on a number of grounds, including failure to pay salaries and annual leave etc.

Pursuant to the Orders of the Labour Tribunal dated 17 April 2019 and 17 January 2020, the Company was ordered to pay the former employee for all the claims stated above in full.

As at the date of this annual report, the Company is liaising with the former employee to settle the above claim of approximately HK$2,354,000 which is included in accruals and other payables.

47. CONTINGENT GAIN

The Company had issued promissory note with a principal amount of HK$92,000,000 (the "Promissory Note") by the Company on 23 April 2015, as part of the consideration for the acquisition of 20% equity interests of the Eagle Praise Group (see note 21(b)). The promissory note was unsecured, non-interest bearing and had a maturity period of one year after the date of issue. On 16 December 2015, the promissory note was replaced by a new promissory note of the same principal amount with maturity date of 31 December 2016.

On 30 December 2016, the Company engaged its legal advisers to issue a legal letter (the "Letter") to Unicorn Sino Limited ("Unicorn"), the vendor of the Eagle Praise Group. As set out in the Letter, the Company had relied on the representations of Ms. Wei, the ultimate sole beneficial owner of Unicorn, in particular, the business plan presented by Unicorn to the Company, when the Company and its subsidiaries entered into the sale and purchase agreement (as amended by the supplemental agreement dated 16 December 2015) and the Shareholders' Agreement (as amended by the supplemental agreement dated 16 December 2015) (collectively, the "Agreements") with Unicorn.

It was subsequently discovered that the representations made by Ms. Wei in respect of the business of the Eagle Praise Group were false and misleading. Based on the legal advice from a senior counsel, the Agreements were void or voidable by reason of fraudulent misrepresentation and the Promissory Note can be rescinded, and Unicorn cannot enforce the Promissory Note against the Company. In the opinion of the Directors, the financial effects of the rescission, will be recognised when the Promissory Note is legally extinguished.

48. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Company name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Super Dragon Management Limited	BVI, limited liability company	1 ordinary share of US$1 each	100%	Provision of management service, Hong Kong
Better Sourcing Worldwide Limited	Hong Kong, limited liability company	HK$100	51%	Trading of gifts and toys, Hong Kong
Kiu Hung Industries Limited	Hong Kong, limited liability company	HK$1,000	100%	Trading of gifts and toys, Hong Kong
Kiu Hung Toys Company Limited	Hong Kong, limited liability company	HK$2 ordinary share and HK$10,000 non-voting deferred share	100%	Investment holding, Hong Kong
Newgary Development Limited	Hong Kong, limited liability company	HK$2 ordinary share and HK$10,000 non-voting deferred share	100%	Property holding, Hong Kong
Toland International Limited	Hong Kong, limited liability company	HK$4,200,000	70%	Trading of flags and garden products, Hong Kong
福建奇嘉禮品玩具有限公司 (Fujian Kcare Giftoys Co., Ltd.*)	The PRC, limited liability company	RMB10,000,000	100%	Manufacture and trading of gifts and toys, The PRC
福建僑興酒業有限公司 (Fujian Kiu Hung Wine Co., Ltd.*#)	The PRC, limited liability company	HK$30,000,000	0% (2018: 100%)	Manufacture and trading of wine products, The PRC
福建綠森農業科技有限公司 (Fujian Lusen Agricultural Science and Technology Co., Ltd*)	The PRC, limited liability company	RMB50,000,000	100% (2018: 0%)	Forestry products, wholesale, beverage retail, the PRC
內蒙古銘潤峰能源有限公司 (Inner Mongolia Mingrunfeng Energy Co., Ltd.*#)	The PRC, limited liability company	RMB53,000,000	20% (2018: 100%)	Exploration and mining, The PRC
內蒙古潤恒礦業有限公司 (Inner Mongolia Run Heng Mining Company Limited *#)	The PRC, limited liability company	RMB56,014,705	20% (2018: 100%)	Exploration and mining, The PRC
Marketing Resource Group Inc.	The USA, limited liability company	350,000 ordinary shares of US$1 each	51%	Trading of flags and garden products, The USA
Shun Jun Ventures Limited	Samoa, limited liability company	13,743,131 ordinary shares of US$1 each	100%	Investing property, the PRC

* *For identification purpose*

\# *They were no longer subsidiaries of the Company as at 31 December 2019*

49. GAIN ON DISPOSAL OF SUBSIDIARIES

(a) As stated in note 19, during the year ended 31 December 2018, the management decided to dispose of the 80% equity interest in Inner Mongolia Mingrunfeng Energy Co., Ltd. and Inner Mongolia Run Heng Mining Company Limited (the "Disposal Group"). On 15 December 2018, the Disposal Group was bid at open market auction for RMB15,000,000. The disposal was completed on 15 January 2019. The net assets of the Disposal Group at the date of completion were as follows:

	HK$'000
Net assets disposed of	
Bank and cash balances	5
Prepayments and other receivables	345
Accruals and other payables	(701)
Assets and liabilities of a disposal group classified as held for sale	20,514
	20,163
Release of foreign currency translation reserve	(24,651)
Transfer to Financial assets of FVTOCI for 20% residual equity interest	(3,435)
Cash consideration received	(17,079)
Gain on disposal of the Disposal Group	(25,002)

(b) On 31 December 2019, the Company disposed of its 100% equity interest in a subsidiary, Kiu Hung Health Food (HK) Limited ("KH Health Food (HK)") and its subsidiaries to an independent third party at a consideration of HK$1,000,000. The principal activity of KH Health Food (HK) is manufacturing and trading of wine products. The subsidiary disposed had no significant impact on the turnover and results of the Group. The net assets of KH Health Food (HK) at the date of disposal were as follows:

	HK$'000
Net assets disposed of	
Property, plant and equipment	6,223
Inventories	18,629
Prepayments and other receivables	56,770
Other borrowings	(57,369)
Accruals	(23,187)
	1,066
Release of foreign currency translation reserve	(2,151)
Cash consideration received	(1,000)
Gain on disposal of a subsidiary	(2,085)
Gain on disposal of subsidiaries	(27,087)

50. EVENTS AFTER THE REPORTING PERIOD

(a) Second Batch Consideration Shares in relation to acquisition of 28% equity interest in USO

On 14 January 2020, the Group, Green Luxuriant Group Investment Limited, the vendor of USO and the guarantor entered into a deed of settlement (the "Deed of Settlement"), pursuant to which the vendor has agreed to subscribe for and the Company has agreed to allot and issue 300,000,000 ordinary shares of the Company (the "Second Batch Consideration Shares", and each a "Second Batch Consideration Share") at the issue price of HK$0.1 per Second Batch Consideration Share as full and final settlement of the promissory note ("Promissory Note") in the principal amount of HK$30,000,000 as partial consideration for the acquisition of the further 28% equity interest in USO as stated in Note 21(e).

The approval from the Stock Exchange was granted on 6 February 2020 and the Second Batch Consideration Shares have been allotted and issued as fully paid to the vendor on 10 February 2020.

The vendor and the guarantor have returned the Second Promissory Note to the Company for cancellation.

Details of the above, please refer to the Company's announcements dated 14 January 2020, 17 January 2020 and 10 February 2020.

(b) Change of domicile; Adoption of new memorandum of continuance and new bye-law; Reduction of share premium account; and Capital reorganization

Subsequent to the reporting period, the Company proposed to reduce the entire amount of the share premium account of the Company, and to implement the Capital Reorganisation upon the Change of Domicile becoming effective.

The ordinary resolutions for the Change of Domicile, the Adoption of Memorandum of Continuance and New Bye-laws, the Reduction of Share Premium Account and the Capital Reorganisation were approved by the shareholders of the Company in extraordinary general meeting on 9 April 2020.

Details of the above, please refer to the Company's announcements dated 17 February 2020, 18 March 2020, 1 April 2020, 9 April 2020 and 7 May 2020.

50. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(c) The proposed acquisition of 51% equity interest in Hubei Jincaotang Pharmaceutical Co., Limited (the "Target Company")

On 11 September 2019, the Group as a purchaser entered into the Sale and Purchase Agreement with Sheen World International Holdings Limited (the "Vendor"), according to which, among other things, the Group has conditionally agreed to acquire from the Vendor, and the Vendor has conditionally agreed to sell the Sale Interests, representing 51% of the total equity interests in the Target Company. The principal activities of the Target Company are development of seeding cultivation and plantation technology of Chinese herbs as well as processing and sale of Chinese herbs products.

The Consideration of the Sale Interests is HK$170 million, which shall be satisfied by the issue of the Convertible Bonds by the Company to the Vendor (or its nominee) upon completion. As at the reporting date, the proposed acquisition has still not yet completed.

For details, please refer to the Company's announcements date 11 September 2019, 21 October 2019, 23 October 2019, 15 November 2019 and 11 February 2020.

(d) Effect assessment of the Novel Coronavirus disease outbreak

Since early 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group, especially on the demand of toys from North America and the PRC.

The Group's performance in 2020 could possibly be affected. The overall financial effect cannot be reliably estimated as of the date of this annual report. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the business, the financial position and operating results of the Group.

51. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 29 May 2020.

Five Years Financial Summary

The following is a summary of the published consolidated results and statement of assets and liabilities of the Group for the last five years:

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**199,952**	214,605	219,628	235,384	223,313
Loss before income tax	**(302,187)**	(223,136)	(100,735)	(142,373)	(85,394)
Income tax credit/(expenses)	**(138)**	11,566	5,641	(5,603)	(1,858)
Loss for the year	**(302,325)**	(211,570)	(95,094)	(147,976)	(87,252)
Attributable to:					
Equity holders of the Company	**(301,937)**	(208,066)	(91,289)	(149,652)	(89,665)
Non-controlling interests	**(388)**	(3,504)	(3,805)	1,676	2,413
	(302,325)	(211,570)	(95,094)	(147,976)	(87,252)

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
Total assets	**827,873**	913,547	823,891	785,933	807,433
Total liabilities	**(496,166)**	(457,769)	(344,404)	(330,843)	(406,405)
Net assets	**331,707**	455,778	479,487	455,090	401,028
Equity attributable to equity holders of the Company	**326,298**	449,981	470,186	441,984	389,598
Non-controlling interests	**5,409**	5,797	9,301	13,106	11,430
Total equity	**331,707**	455,778	479,487	455,090	401,028