SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058

Annual Report 2020

Contents

Corporate Information

DIRECTORS

Executive Directors:

Fok Po Tin *(Chairman)*
(appointed on 3 July 2020)
Chim Sai Yau, Oscar *(Chairman)*
(retired on 30 June 2020)
Li Chongyang *(Managing Director)*
Law Chun Choi

Non-executive Directors:

Lum Pak Sum

Independent non-executive Directors:

Chan Sung Wai
Choi Pun Lap
Yu Shui Sang Bernard (appointed on 4 January 2021)
Tong Leung Sang (resigned on 1 January 2021)

COMPANY SECRETARY

Law Chun Choi

AUTHORISED REPRESENTATIVES

Law Chun Choi
Li Chongyang

AUDIT COMMITTEE

Choi Pun Lap *(Chairman)*
Chan Sung Wai
Yu Shui Sang Bernard (appointed on 4 January 2021)
Tong Leung Sang (resigned on 1 January 2021)

NOMINATION COMMITTEE

Fok Po Tin *(Chairman)*
(appointed on 3 July 2020)
Chim Sai Yau, Oscar *(Chairman)*
(retired on 30 June 2020)
Chan Sung Wai
Choi Pun Lap
Lum Pak Sum
Yu Shui Sang Bernard (appointed on 4 January 2021)
Tong Leung Sang (resigned on 1 January 2021)

REMUNERATION COMMITTEE

Chan Sung Wai *(Chairman)*
Choi Pun Lap
Fok Po Tin (appointed on 3 July 2020)
Law Chun Choi
Yu Shui Sang Bernard (appointed on 4 January 2021)
Chim Sai Yau, Oscar (retired on 30 June 2020)
Tong Leung Sang (resigned on 1 January 2021)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Elite Partners CPA Limited
Certified Public Accountants
10/F, 8 Observatory Road
Tsim Sha Tsui
Kowloon

LEGAL ADVISERS

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

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

PRINCIPAL BANKERS

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

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

WEBSITE

http://www.hk0058.com

STOCK CODE

The Stock Exchange of Hong Kong Limited: 58

Chairman's Statement

The Group's consolidated loss had decreased by approximately 93% as compared to the corresponding year in 2019. Such a decrease in consolidated loss is mainly attributable to the net effect of the following factors:

(i) absence of impairment loss of approximately HK$117 million in respect of loan receivables and significant decrease of impairment loss of approximately HK$104 million in respect of deposits paid for acquisition of subsidiaries as compared to the corresponding year. For details, please refer to the 2019 Annual Report dated 27 May 2020; and

(ii) gain arising on change in fair value of financial assets at fair value through profit or loss during the current year.

On 11 February 2020, being the date of expiration of the money lenders licence (the "**Licence**"), the board of directors decided not to renew the Licence. The non-renewal of the Licence is consistent with the Group's long-term policy to focus its activities on the Group's other business. As a result of the expiration of the Licence, the board of directors is in the opinion that the Financial Services operation should be classified as discontinued operation.

The outbreak of COVID-19 in the PRC had a certain impact on the operations of the Group since early 2020 but the effects on the businesses of the Group was only temporary. The local businesses started to resume in late February 2020 and the Group's operations had gradually restored to normal level during the first half of the year. With the continuing economic growth, China has experienced rapid urbanisation and industrialisation, which in turn boost the demand for construction materials. Therefore, there was no material adverse impact on our business as a result of outbreak of COVID-19.

According to Bloomberg News dated 16 August 2020 and 18 October 2020, "China's economy, the first to succumb to the coronavirus, is proving to be the fastest to recover. China's economy plows on as world's only major growth engine". Furthermore, it is expected that infrastructure investment will become the backbone of China's economic recovery. In the next two to three years, China's infrastructure investment will continue to increase to support the economic recovery and stabilize the job market after the epidemic. Among them, traditional infrastructure such as major transportation and water conservancy projects will become the main economic support. As a result, the operations of the Group will be benefited by the rapid economic development and the provincial government's plans to further enhance the transportation infrastructure in Guangdong Province, the PRC.

Fok Po Tin
Chairman

Hong Kong
26 March 2021

Management Discussion and Analysis

REVIEW OF RESULTS AND OPERATIONS

Construction Materials Business

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

PHC Pile and Others Business

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

Revenue from external customers for FY2020 was HK$384,960,000 compared with HK$356,409,000 reported last year, which increased by approximately 8%. The increase in revenue for the year was mainly attributable to the increase in sales volume of PHC piles.

Other gains and losses, net

Other gains and losses, net for FY2020 amounted to HK$7,498,000 (FY2019: HK$127,671,000), represented a decrease of HK$120,173,000. Such decrease was mainly due to the significant decrease of impairment loss recognised under expected credit loss model of approximately HK$105 million as compared to the corresponding year and unrealised gain of approximately HK$7 million arising on change in fair value of financial assets at fair value through profit or loss was recognised during the current year.

Administrative expenses

Administrative expenses for FY2020 amounted to HK$29,371,000 (FY2019: HK$44,539,000), representing a decrease of 34%, which was mainly due to the decrease in Hong Kong staff costs, auditor's remuneration and legal and professional fees.

Discontinued operation

Financial services operation was discontinued during the year ended 31 December 2020.

Loss for the period/year from discontinued operation was HK$1,444,000 for current year compared with HK$117,145,000 reported in FY2019. Loss for the period/year from discontinued operation decreased by 99% was mainly due to absence of impairment loss recognised of approximately HK$117 million in respect of loan receivables during FY2019.

* *For identification purposes only*

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations with equity fund raising activities, internally generated cash flow and banking facilities provided by its principal bankers in the PRC. As at 31 December 2020, equity attributable to owners of the Company was HK$199,977,000, representing an increase of approximately 10% over last year. As at 31 December 2020, the Group's cash and cash equivalents stood at HK$12,985,000 whereas interest-bearing borrowings were HK$41,257,000. The annual interest rates of the borrowings for FY2020 ranged from 4.35% to 7.5% per annum. The above borrowings were denominated in Hong Kong Dollar and Renminbi. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and non-current liabilities by total equity, was approximately 72% as at 31 December 2020.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

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

CAPITAL STRUCTURE

Convertible notes

As at 31 December 2020, the Company had convertible notes with principal amount of HK$30,000,000. Based on the opinion obtained from the legal adviser of the Company, in view of the on-going legal proceedings mentioned under the paragraph headed "Contingent Liabilities" and "Legal Proceedings" in this report, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company.

Shares allotment

2019 Allotment

On 13 March 2019, the Company entered into a subscription agreement with a subscriber to allot and issue 124,800,000 ordinary shares of HK$0.1 each to the subscriber at a price of HK$0.136 per share ("**2019 Subscription**"). The share allotment was completed on 27 March 2019 and the net proceeds of approximately HK$16.7 million, representing a net price of approximately HK$0.134 per subscription share, raised from the 2019 Subscription ("**2019 Net Proceeds**") would be used for general working capital purposes. As at 31 March 2020, 2019 Net Proceeds had been fully used for general working capital purposes set out as follows:

Actual usage of the 2019 Net Proceeds	Approximately Amount (HK$ million)
Group's rental related expenses	4.8
Staff and directors' remuneration	2.9
Legal and professional fees	7.9
Administration related expenses	1.1
Total	**16.7**

Management Discussion and Analysis

2020 Allotment

On 29 November 2019, the Company entered into a subscription agreement with Wealthy Port Holdings Limited ("**Wealthy Port**"), the then substantial shareholder of the Company, which is beneficially owned by Mr. Chim Sai Yau, Oscar, a former executive Director of the Company, pursuant to which the Company has conditionally agreed to allot and issue 149,063,676 ordinary shares of HK$0.1 each to Wealthy Port at a price of HK$0.1 per share ("**2020 Subscription**"). The share allotment was completed on 30 March 2020 and the net proceeds of approximately HK$13.9 million, representing a net price of approximately HK$0.093 per subscription share, raised from the 2020 Subscription ("**2020 Net Proceeds**") would be used for general working capital purposes.

During the nine months ended 31 December 2020, the 2020 Net Proceeds was utilised as follows:

Intended usage of the 2020 Net Proceeds	Estimated amount (HK$ million)	Actual usage as at 31 December 2020 (HK$ million)
Group's rental related expenses	4.0	4.0
Staff and directors' remuneration	3.0	3.0
Legal and professional fees	5.0	4.2
Administration related expenses	1.9	1.3
Total	**13.9**	**12.5**

The Company expects that the remaining 2020 Net Proceeds in the amount of HK$1.4 million from the 2020 Subscription shall be fully utilised in accordance with the intended usage during the first quarter of 2021.

Share options

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

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

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled during the years ended 31 December 2020 and 2019.

PLEDGE OF ASSETS

Details of pledge of assets of the Group are set out in note 32 to the Consolidated Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had approximately 428 full-time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme.

Management Discussion and Analysis

FOREIGN EXCHANGE AND CURRENCY RISKS

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

COMMITMENT

The Group did not have material commitments as at 31 December 2020 and 31 December 2019.

CONTINGENT LIABILITIES

Save as disclosed in note 44 to the Consolidated Financial Statements, the Group did not have material contingent liabilities as at 31 December 2020 and 31 December 2019.

LEGAL PROCEEDINGS

Save as disclosed in note 43 to the Consolidated Financial Statements, the Group did not have material legal proceedings as at 31 December 2020.

PROSPECT

Although the Sino-US trade war has been ongoing since 2018, the dispute has no material impact on the Group's operations. According to the press release published by Guangdong Provincial Development and Reform Commission of the PRC dated 5 March 2020, the province plans to set up 1,230 key projects with a total investment of RMB5.9 trillion, highlighting a new round of investment stemming from the construction of new infrastructure.

In addition, according to a guideline jointly issued by the General Office of the Communist Party of China Central Committee of the PRC and the General Office of the State Council of the PRC dated 24 February 2021, China has unveiled plans to build the country's strength in the transport sector over the next 15 years, setting long-term goals for the industry, with the aim of developing a modern, high-quality and comprehensive national transport network. By 2035, the country's transport network should be convenient, cost-effective, green, intelligent and safe. Among them, there will be about 200,000 km of railways, 460,000 km of highways and 25,000 km of high-grade waterways, with 27 major costal ports, 36 major inland ports, about 400 civil-transport airports and about 80 postal express-delivery hubs.

The Directors consider that such policies will have positive effects to the construction material industry in the PRC and thus can benefit the Group. In addition, the Group has been committed to expand the business scale by exploring new business, bringing new growth and momentum to the Group.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Fok Po Tin, aged 61, was appointed as an executive Director and the chairman of the Board on 3 July 2020. Mr. Fok holds a Bachelor's degree in Business Administration with honours from the Chinese University of Hong Kong and a Bachelor's degree in Laws from the Beijing University. He is a practicing solicitor of the High Court of Hong Kong and is the principal of Henry Fok & Company, Solicitors. Mr. Fok, who has over twenty years of extensive experience as a solicitor of general practice, is very familiar with commercial law. Mr. Fok has been the independent non-executive director of Huaxi Holdings Company Limited (Stock code: 1689) since July 2013.

Mr. Li Chongyang, aged 49, joined the Company in 2015. Mr. Li graduated from Shanghai Maritime University (formerly known as 上海海運學院 (Shanghai Maritime Institute*)) majoring in International Maritime and International Economics Law. Mr. Li has over 20 years of experience in corporate management and logistics management.

Mr. Law Chun Choi, aged 60, is an executive Director. He is a practising and fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He was also awarded the Chartered Governance Professional by the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries in 2018. Mr. Law graduated from The Hong Kong Polytechnic University with a Postgraduate Diploma in Corporate Administration and Professional Diploma in Accountancy in 2000 and 1984 respectively.

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

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

Non-executive Director

Mr. Lum Pak Sum, aged 59, possesses over 20 years of working experience in the money market and capital market. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants since 1996 and 1993 respectively. He obtained a master's degree in business administration from The University of Warwick in 1994 and a bachelor's degree in laws from University of Wolverhampton in 2002.

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

* *For identification purposes only*

Biographical Details of Directors and Senior Management

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

Independent non-executive Directors

Mr. Choi Pun Lap, aged 43, is a valuation practitioner of International Association of Certified Valuation Specialists since 2019. He is a member of Hong Kong Institute of Certified Public Accountants, a member of Certified Practising Accountants Australia and a member of Chartered Global Management Accountant. Mr. Choi graduated from Open University of Hong Kong with a Master of Law (Chinese Business Law) in Hong Kong in 2017. He obtained a Bachelor of Business (Accounting) from Central Queensland University in Australia in 2003 and further studied Postgraduate Diploma of Accounting in Monash University in Australia in 2005.

Mr. Choi was a principal of Absolute Value Business & Asset Valuation Limited since December 2019. He was a financial controller of a company which is listed in GEM from March 2019 to November 2019. Mr. Choi was a senior audit manager in the audit department of HLB Hodgson Impey Cheng Limited ("**HLB**") in Hong Kong. He has worked in HLB for more than ten years from February 2007 to December 2017.

Mr. Yu Shui Sang Bernard, aged 46, joined the Company on 4 January 2021 and has more than 20 years of experience in asset management, corporate finance, foreign exchange, bullion trading, insurance, securities and futures trading industries. Mr. Yu was the managing director of CSFG International Securities Limited (a wholly-owned subsidiary of China Shandong Hi-Speed Financial Group Limited, the shares of which are listed on Main Board of the Stock Exchange (Stock Code: 412)) from February 2018 to January 2021. Mr. Yu was also a director and a responsible officer of CSFG International Asset Management Limited (a wholly-owned subsidiary of China Shandong Hi-Speed Financial Group Limited) from June 2018 to January 2021. Mr. Yu also held senior management positions at various financial institutions including Ong Asia Securities (HK) Limited, Enlighten Securities Limited and Eagle Legend Futures Limited (a then wholly-owned subsidiary of GOME Retail Holdings Limited).

Mr. Yu was awarded with a Doctoral Degree in Enterprises Management from the Shanghai University of Finance & Economics in June 2014, a Master Degree in Laws from Renmin University of China in June 2013, a Master Degree in Business Administration from University of South Australia in March 2009, a Master of Arts in Practical Philosophy from Lingnan University in October 2009, a Bachelor Degree in Laws from China University of Political Science and Law in July 2017, a Bachelor Degree in Business Administration (Hons) from Birmingham City University in November 2020, a Diploma in Casino Management from University of Macau in May 2009, a Professional Diploma in Corporate Governance and Directorship from The Hong Kong Institute of Directors and Hong Kong Productivity Council in April 2010 and a Diploma in Company Direction from The Hong Kong Institute of Directors in November 2006. Mr. Yu is a Fellow Member of The Hong Kong Institute of Directors and a Fellow Member of The Hong Kong Securities and Investment Institute. He is a responsible officer under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) activities.

Biographical Details of Directors and Senior Management

Mr. Chan Sung Wai, aged 73, has extensive experience in the trading, real estate and shipping industries. He also has extensive experience in financial and media business. He has been working for a number of years in major media companies in Hong Kong, and responsible for covering, editing and writing commentaries. Mr. Chan has also been a chief editor of the petroleum magazine and has profound knowledge in the oil and media industry in Asia.

Mr. Chan was a non-executive director of Champion Technology Holdings Limited (stock code: 0092) from November 2017 to December 2020. He was also an independent non-executive director of Pearl Oriental Oil Limited (stock code: 0632) from December 2017 to June 2018.

SENIOR MANAGEMENT

Mr. Lin Yepan, aged 47, was graduated from the Renmin University of China. Mr. Lin joined Guangdong Hengjia as the general manager and he has been appointed as the director of Guangdong Hengjia since 2011. He is responsible for directing business development and overseeing daily operations of the PHC piles and other businesses. He was an executive director of the Company from 2 May 2014 to 19 May 2015.

Mr. Lin Zhenjun, aged 47, has been the Chairman of Guangdong Hengjia since 2007. Mr. Lin has over 13 years of supervisory experience.

Mr. Tan Jin, aged 52, joined Guangdong Hengjia since 2009 and acted as legal representative and director of Zhuhai Hoston since May 2015. Mr. Tan has substantial management experience and is responsible for Zhuhai Hoston's daily management.

Mr. Xu Dun, aged 56, was graduated from the Open University of China. Mr. Xu held the position of the director Guangdong Hengjia since 2011.

Report of the Directors

The Directors present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2020 are set out in note 42 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2020 are set out under the section headed "Management Discussion and Analysis" of this report on pages 5 to 8.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2020 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 36 to 112 of this report.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTION SCHEME AND CONVERTIBLE NOTES

Movements in the Company's share capital during the year are set out in note 34 to the consolidated financial statements.

Details of the convertible notes and share option scheme are set out in note 35 and note 37 to the consolidated financial statements, respectively.

DIVIDEND POLICY

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

Report of the Directors

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

Factors to be considered

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

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

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

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity and note 36 to the consolidated financial statements.

Distributable reserves of the Company as at 31 December 2020 amounted to HK$54,995,000 (2019: HK$68,643,000).

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any significant events after the reporting period.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

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

RESULTS	Year ended 31 December **2020** **HK$'000**	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
CONTINUING OPERATIONS					
LOSS BEFORE TAX	**(21,956)**	(171,767)	(37,466)	(3,827)	(179,071)
Income tax credit/(expense)	**2,886**	(5,106)	(6,160)	(539)	(1,541)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(19,070)**	(176,873)	(43,626)	(4,366)	(180,612)
DISCONTINUED OPERATION					
Loss for the year from discontinued operation	**(1,444)**	(117,145)	–	–	–
LOSS FOR THE YEAR	**(20,514)**	(294,018)	(43,626)	(4,366)	(180,612)
Attributable to:					
Owners of the Company	**(18,827)**	(283,995)	(50,501)	(7,784)	(183,049)
Non-controlling interests	**(1,687)**	(10,023)	6,875	3,418	2,437
	(20,514)	(294,018)	(43,626)	(4,366)	(180,612)

ASSETS AND LIABILITIES	As at 31 December **2020** **HK$'000**	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Non-current assets	**201,785**	172,719	165,764	178,394	171,191
Current assets	**268,595**	247,184	517,797	543,601	379,436
TOTAL ASSETS	**470,380**	419,903	683,561	721,995	550,627
Current liabilities	**177,806**	159,299	123,683	109,303	123,727
Non-current liabilities	**19,525**	14,826	26,114	25,513	22,322
TOTAL LIABILITIES	**197,331**	174,125	149,797	134,816	146,049
NET ASSETS	**273,049**	245,778	533,764	587,179	404,578
NON-CONTROLLING INTERESTS	**73,072**	64,744	79,995	73,254	62,221

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 36% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 68% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 31% of the Group's total purchases for the year.

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

EMOLUMENT POLICY

As at 31 December 2020, the Group had approximately 428 full time management, administrative, technical and production staff (including the directors of the Group) in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme.

COMPLIANCE WITH LAWS AND REGULATIONS

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

During the year ended 31 December 2020 and up to the date of this annual report, the Group has been involved in certain legal proceedings as set in the note 43 to the consolidated financial statements. Save as disclosed in other part of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Report of the Directors

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this report were:

Executive Directors:

Mr. Fok Po Tin *(Chairman)* (appointed on 3 July 2020)
Mr. Chim Sai Yau, Oscar *(Chairman)* (retired on 30 June 2020)
Mr. Li Chongyang *(Managing Director)*
Mr. Law Chun Choi

Non-executive Directors:

Mr. Lum Pak Sum

Independent non-executive Directors:

Mr. Chan Sung Wai
Mr. Choi Pun Lap
Mr. Yu Shui Sang Bernard (appointed on 4 January 2021)
Mr. Tong Leung Sang (resigned on 1 January 2021)

Pursuant to Bye-Law 112, Mr. Yu Shui Sang Bernard so appointed by the Board to fill a causal vacancy on the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that general meeting.

Pursuant to Bye-Law 108(A) and code provision A.4.2 of Appendix 14 to the Listing Rules, at each annual general meeting (the "**AGM**") of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The retiring Director(s) shall be eligible for re-election. Accordingly, Mr. Law Chun Choi, Mr. Lum Pak Sum and Mr. Choi Pun Lap shall retire from office by rotation at the forthcoming AGM. Mr. Law Chun Choi, Mr. Lum Pak Sum and Mr. Choi Pun Lap, being eligible, will offer themselves for re-election at the forthcoming AGM.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 9 to 11 of this report.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Mr. Fok Po Tin, Mr. Li Chongyang and Mr. Law Chun Choi had entered into service contracts with the Company for an initial term of three years commencing from 3 July 2020, 23 October 2015 and 28 May 2019, respectively, which had continued after their expiration until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Lum Pak Sum, Mr. Chan Sung Wai, Mr. Choi Pun Lap and Mr. Yu Shui Sang Bernard had entered into letter of appointments with the Company on 28 May 2019, 6 June 2019, 28 May 2019 and 4 January 2021, respectively, and were appointed for an initial term of three years.

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

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the related party transactions set out in note 39 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

UPDATES ON DIRECTOR'S INFORMATION

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

Mr. Chan Sung Wai had retired as a non-executive Director with effect from the conclusion of the annual general meeting, as held on 17 December 2020, of Champion Technology Holdings Limited (stock code: 0092), listed on the Main Board of the Stock Exchange of Hong Kong Limited.

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

As at 31 December 2020, the interests of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Mr. Li Chongyang	Beneficial owner	922,000	0.51%

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 37 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive to acquire such rights in any other body corporate.

CONTRACTS OF SIGNIFICANCE

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

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

At 31 December 2020, so far as is known to the Directors, the interests or short positions of the persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Wealthy Port Holdings Limited ("**Wealthy Port**") *(Note 1)*	Beneficial owner	73,693,706	41.03%
Mr. Chim Sai Yau, Oscar *(Note 1)*	Interest in controlled corporation	73,693,706	41.03%
Business Century Investments Limited ("**Business Century**") *(Note 2)*	Beneficial owner	12,224,966	6.81%
Xie Guilin *(Note 2)*	Interest in controlled corporation	12,224,966	6.81%
Everun Oil Co., Limited ("**Everun Oil**") *(Note 3)*	Beneficial owner	17,316,200	9.64%
Chen Jingan *(Note 3)*	Interest in controlled corporation	17,316,200	9.64%

Notes:

1. These 73,693,706 Shares are beneficially held by Wealthy Port. The issued capital of Wealthy Port is held by Mr. Chim Sai Yau, Oscar. Under the SFO, Mr. Chim Sai Yau, Oscar is deemed to be interested in all the Shares held by Wealthy Port.

2. These 12,224,966 Shares are beneficially held by Business Century. The issued capital of Business Century is held by Ms. Xie Guilin. Under the SFO, Ms. Xie Guilin is deemed to be interested in all the Shares held by Business Century.

3. These 17,316,200 Shares are beneficially held by Everun Oil. The issued capital of Everun Oil is held by Mr. Chen Jingan. Under the SFO, Mr. Chen Jingan is deemed to be interested in all the Shares held by Everun Oil.

Save as disclosed above, as at 31 December 2020, the Company had not been notified of any persons (other than the Directors and chief executive of the Company) having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Save as disclosed in note 39 to the consolidated financial statements, the Group has not entered into any other connected transaction or continuing connected transaction for the year which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

Report of the Directors

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 21 to 30 of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Further discussion on the Group's environmental policy and our relationship with various stakeholders are covered by a separate Environmental, Social and Governance Report which will be available at the Group's website and the website of the Stock Exchange no later than five months after the end of the financial year.

PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

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

AUDIT COMMITTEE

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

The Group's financial statements for the year ended 31 December 2020 have been reviewed by the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

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

ON BEHALF OF THE BOARD

Law Chun Choi
Executive Director

Hong Kong
26 March 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

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

BOARD OF DIRECTORS

(1) Responsibilities

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

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

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

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

BOARD OF DIRECTORS *(Continued)*

(1) Responsibilities *(Continued)*

Details of Directors' attendance at the Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meetings held for the year ended 31 December 2020 are set out in the table below:

Directors	Board	No. of meetings attended/entitled to attend Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Executive Directors					
Mr. Fok Po Tin (appointed on 3 July 2020)	13/14	N/A	1/1	1/1	1/1
Mr. Chim Sai Yau, Oscar (retired on 30 June 2020)	2/13	N/A	1/1	N/A	0/2
Mr. Li Chongyang	20/28	N/A	N/A	N/A	2/3
Mr. Law Chun Choi	28/28	N/A	2/3	N/A	3/3
Non-executive Directors					
Mr. Lum Pak Sum	26/28	N/A	N/A	2/2	3/3
Independent non-executive Directors					
Mr. Chan Sung Wai	28/28	7/7	3/3	2/2	2/3
Mr. Choi Pun Lap	28/28	7/7	3/3	2/2	1/3
Mr. Tong Leung Sang (resigned on 1 January 2021)	27/28	7/7	2/3	1/2	1/3

BOARD OF DIRECTORS *(Continued)*

(2) Board Composition

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The Board members during the year ended 31 December 2020 and up to the date of this report were:

Executive Directors:
Mr. Fok Po Tin *(Chairman)* (appointed on 3 July 2020)
Mr. Chim Sai Yau, Oscar *(Chairman)* (retired on 30 June 2020)
Mr. Li Chongyang *(Managing Director)*
Mr. Law Chun Choi

Non-executive Director:
Mr. Lum Pak Sum

Independent non-executive Directors:
Mr. Chan Sung Wai
Mr. Choi Pun Lap
Mr. Yu Shui Sang Bernard (appointed on 4 January 2021)
Mr. Tong Leung Sang (resigned on 1 January 2021)

Each of the Directors' appointment is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the memorandum of association and the bye-laws of the Company.

The biographies of the Directors are set out on pages 9 to 11 of this annual report.

BOARD OF DIRECTORS *(Continued)*

(2) Board Composition *(Continued)*

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

During the year ended 31 December 2020, the Company has received a written confirmation of independence from the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in accordance with the Listing Rules. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

(3) Directors' Training

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

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

COMPANY SECRETARY

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

AUDIT COMMITTEE

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

The Audit Committee had reviewed the annual report for the year ended 31 December 2020 and the interim report for the six months ended 30 June 2020 which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also monitored the Company's progress in implementing the Code as required under the Listing Rules.

Corporate Governance Report

AUDITOR'S REMUNERATION

The statement of the Group's external auditor, Elite Partners CPA Limited (2019: ZHONGHUI ANDA CPA Limited), about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 31 to 35.

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

	2020 HK$'000	2019 HK$'000
Audit services	**680**	1,400
Non-audit services	**258**	–
Total	**938**	1,400

REMUNERATION COMMITTEE

The Remuneration Committee, currently comprises two of the executive Directors, namely Mr. Fok Po Tin and Mr. Law Chun Choi, and three independent non-executive Directors, namely, Mr. Chan Sung Wai (chairman of the Remuneration Committee), Mr. Choi Pun Lap and Mr. Yu Shui Sang Bernard, is responsible for determining, reviewing and evaluating the remuneration packages of the executive Directors and making recommendations to the Board from time to time.

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

Details of remuneration paid to each of the Directors during the year are set out in note 13 to the consolidated financial statements. Under the Code Provision B.1.5, the remuneration paid/payable to the 2 individuals of the senior management during the year were within the remuneration band from nil to HK$1,000,000.

NOMINATION COMMITTEE

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

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

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

DIVERSITY OF THE BOARD

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

Main Features of the Risk Management and Internal Control Systems

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

INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

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

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

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

Internal Audit

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

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

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

Inside Information

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the Code. The corporate governance duties performed by the Board for the year ended 31 December 2020 are summarized below:

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

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

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

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

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

The Company has complied with the Code Provisions as set out in the Code contained in Appendix 14 to the Listing Rules during the year ended 31 December 2020 and as at the date of this report, except for the following deviations:

(a) under the Code provision A.4.2, "all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after appointment". As the progress of the circular dated 29 February 2020 on connected transaction in relation to the subscription of new shares under specific mandate (the "**Subscription**") and notice of special general meeting had been delayed, the management planned to focus the attention on the completion of the Subscription leaving the re-election of newly appointed directors to be handled in the coming annual general meeting (the "**AGM**").

    It is because Bye-law 109 of the Company provided "if at any general meeting at which an election of Directors ought to take place, the places of the retiring Directors are not filled, the retiring Directors or such of them as have not had their places filled shall be deemed to have been re-elected and shall, if willing, continue in office until the next annual general meeting". As such, the re-election of the Directors at the AGM was still in compliance with the Company's Bye-laws.

(b) under the Code provision E.1.2, "the Chairman of the Board should attend the annual general meeting". Mr. Chim Sai Yau, Oscar, who had another engagement, was unable to attend the AGM on 30 June 2020. Nevertheless, Mr. Law Chun Choi, the executive Director, attended the said AGM to respond to queries from shareholders.

CORPORATE GOVERNANCE FUNCTIONS *(Continued)*

(c) insufficient number of independent non-executive directors

Following the resignation of Mr. Tong Leung Sang on 1 January 2021 and prior to the effective date of the appointment of Mr. Yu Shui Sang Bernard ("**Mr. Yu**) on 4 January 2021, the Board comprised two independent non-executive Directors, and therefore the Company failed to meet the requirements of having:

(i) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules;

(ii) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules;

(iii) the Remuneration Committee comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and

(iv) the Nomination Committee comprising a majority of independent non-executive directors under Code Provision A.5.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

After the appointment of Mr. Yu which came into effect on 4 January 2021, the Company had re-complied with all the above requirements.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

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

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

(4) Shareholders' enquiries

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

CONSTITUTIONAL DOCUMENTS

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

Independent Auditor's Report

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

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

QUALIFIED OPINION

We have audited the consolidated financial statements of Sunway International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 36 to 112, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the corresponding figures 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Loan receivables

We have not obtained sufficient and appropriate audit evidence to satisfy ourselves as to whether the impairment loss of loan receivables of approximately HK$117,178,000 recognised in the consolidated profit or loss for the year ended 31 December 2019 should be recognised in that year.

Prepayment, deposits and other receivables

We have not obtained sufficient and appropriate audit evidence to satisfy ourselves as to whether the impairment loss of deposits paid for acquisition of subsidiaries of approximately HK$100,000,000 recognised in the consolidated profit or loss for the year ended 31 December 2019 should be recognised in that year.

Any adjustments to the figures mentioned above might have consequential effects on the Group's results for the year ended 31 December 2019 and the related disclosures thereof in the consolidated financial statements.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment	
Refer to note 18 to the consolidated financial statements. As at 31 December 2020, certain of the Group's property, plant and equipment with carrying amounts of HK$128,697,000 are measured at revalued amounts and gain arising on change in fair value with an amount of HK$18,709,000 recognised in the consolidated statement of profit or loss and other comprehensive income. The fair value of the Group's property, plant and equipment is determined by adopting the valuation techniques with assumptions of market conditions and judgment. The Group also engaged an independent qualified professional firm of valuers to establish and determine the appropriate valuation techniques. Due to the key source of estimation uncertainty and the significant assumptions and judgment involved in the valuation, valuation of property, plant and equipment is identified as a key audit matter.	Our audit procedures in relation to management's determination of the valuation of property, plant and equipment included: • evaluation the competence, capabilities and objectivity of the independent external valuers; • assessing the appropriateness of key assumption based on our knowledge of the business and industry; and • checking, on a sample basis, the accuracy and relevance of the input data used. We found the management judgment and estimates used to assess the fair value of property, plant and equipment was supportable by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key audit matter *(Continued)*	How our audit addressed the key audit matter
Impairment assessment on trade, bill and loan receivables, deposits and other receivables	
Refer to notes 23 and 24 to the consolidated financial statements. As at 31 December 2020, the Group has trade, bill and loan receivables, deposits and other receivables, net of allowance of credit losses, of HK$139,366,000 and HK$51,192,000 respectively. Management judgment was required in assessing and determining the recoverability of trade, bill and loan receivables, deposits and other receivables, and adequacy of allowance made. In determining whether there was objective evidence of impairment loss, the Group took into consideration the credit history of the customers and the current market condition which may require management judgment. We focused on this area due to the impairment assessment of trade, bill and loan receivables, deposits and other receivables under the expected credit loss model involved the use of significant judgment and estimates.	Our audit procedures in relation to management's impairments assessment on trade, bill and loan receivables, deposits and other receivables included: • discussing the Group's procedures on credit period given to customers with the management; • checking, on a sample basis, the aging profile of the trade, bill and loan receivables, deposits and other receivables as at 31 December 2020 to the underlying financial records and post year-end settlements to bank receipts; • inquiring management for the status of each of the material trade receivables past due as at 31 December 2020 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; and • assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found the management judgment and estimates used to assess the recoverability of trade, bill and loan receivables, deposits and other receivables was supportable by available evidence.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Ho Kwan with Practising Certificate number P07543.

Elite Partners CPA Limited
Certified Public Accountants
10/F, 8 Observatory Road, Tsim Sha Tsui
Kowloon, Hong Kong

26 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operation			
Revenue	8	**384,960**	356,409
Cost of sales		**(308,013)**	(285,139)
Gross profit		**76,947**	71,270
Other income	9	**2,425**	3,073
Other gains and losses, net	10	**(7,498)**	(127,671)
Selling and distribution expenses		**(60,028)**	(69,235)
Administrative expenses		**(29,371)**	(44,539)
Other expenses		**(872)**	(657)
Finance costs	11	**(3,559)**	(4,008)
Loss before tax		**(21,956)**	(171,767)
Income tax credit/(expense)	14	**2,886**	(5,106)
Loss for the year	12	**(19,070)**	(176,873)
Discontinued operation			
Loss for the period/year from discontinued operation	16	**(1,444)**	(117,145)
Loss for the year		**(20,514)**	(294,018)
Loss for the year attributable to:			
Owners of the Company		**(18,827)**	(283,995)
Non-controlling interests		**(1,687)**	(10,023)
		(20,514)	(294,018)
Loss per share	17		
From continuing and discontinued operations			
Basic and diluted (HK cents)		**(10.92)**	(197.25)
From continuing operation			
Basic and diluted (HK cents)		**(10.09)**	(115.89)
From discontinued operation			
Basic and diluted (HK cents)		**(0.83)**	(81.36)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Loss for the year	**(20,514)**	(294,018)
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**18,306**	(2,292)
Reclassification adjustment on deregistration of foreign subsidiaries	**1,511**	–
Items that will not be reclassified to profit or loss:		
Gain/(loss) on revaluation of property, plant and equipment	**18,709**	(11,532)
Tax effect of revaluation of property, plant and equipment	**(4,667)**	2,883
Other comprehensive income/(loss) for the year, net of tax	**33,859**	(10,941)
Total comprehensive income/(loss) for the year	**13,345**	(304,959)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**5,017**	(289,708)
Non-controlling interests	**8,328**	(15,251)
	13,345	(304,959)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	18	**129,376**	101,858
Right-of-use assets	19	**40,400**	43,717
Goodwill	21	**19,941**	19,941
Deferred tax assets	33	**12,068**	7,203
		201,785	172,719
Current assets			
Inventories	22	**17,702**	32,971
Trade, bill and loan receivables	23	**139,366**	95,396
Prepayment, deposits and other receivables	24	**86,392**	89,764
Financial assets at fair value through profit or loss	25	**12,149**	–
Restricted bank deposits	26	**1**	4
Cash and cash equivalents	26	**12,985**	29,049
		268,595	247,184
Current liabilities			
Trade payables	27	**88,837**	70,439
Accruals and other payables	28	**40,971**	28,741
Contract liabilities	29	**3,509**	4,760
Lease liabilities	30	**2,466**	4,739
Amounts due to non-controlling interests	31	**515**	483
Amount due to a shareholder	31	**5,677**	2,702
Interest-bearing borrowings	32	**29,944**	40,376
Tax payable		**5,887**	7,059
		177,806	159,299
Net current assets		**90,789**	87,885
Total assets less current liabilities		**292,574**	260,604

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Interest-bearing borrowings	32	**11,313**	8,414
Lease liabilities	30	**–**	2,466
Deferred tax liabilities	33	**8,197**	3,931
Provision for long service payment		**15**	15
		19,525	14,826
NET ASSETS		**273,049**	245,778
Capital and reserves			
Share capital	34	**17,960**	74,894
Convertible notes	35	**12,600**	12,600
Reserves	36	**169,417**	93,540
Equity attributable to owners of the Company		**199,977**	181,034
Non-controlling interests		**73,072**	64,744
TOTAL EQUITY		**273,049**	245,778

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2021 and are signed on its behalf by:

Fok Po Tin
Director

Law Chun Choi
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Convertible notes HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2019	62,414	598,771	12,600	157,118	509	21,524	16,224	(5,769)	9,646	(419,268)	453,769	79,995	533,764
Loss for the year	–	–	–	–	–	–	–	–	–	(283,995)	(283,995)	(10,023)	(294,018)
Other comprehensive loss:													
Loss on revaluation of property, plant and equipment, net of tax	–	–	–	–	–	–	(4,796)	–	–	–	(4,796)	(3,853)	(8,649)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(917)	–	–	(917)	(1,375)	(2,292)
Total comprehensive loss for the year	–	–	–	–	–	–	(4,796)	(917)	–	(283,995)	(289,708)	(15,251)	(304,959)
Cancellation of share options	–	–	–	–	–	(21,524)	–	–	–	21,524	–	–	–
Subscription of new shares	12,480	4,493	–	–	–	–	–	–	–	–	16,973	–	16,973
Disposal of property, plant and equipment	–	–	–	–	–	–	(3,248)	–	–	3,248	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	232	(232)	–	–	–
As at 31 December 2019 and as at 1 January 2020	74,894	603,264	12,600	157,118	509	–	8,180	(6,686)	9,878	(678,723)	181,034	64,744	245,778
Loss for the year	–	–	–	–	–	–	–	–	–	(18,827)	(18,827)	(1,687)	(20,514)
Other comprehensive income:													
Gain on revaluation of property, plant and equipment, net of tax	–	–	–	–	–	–	9,371	–	–	–	9,371	4,671	14,042
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	12,962	–	–	12,962	5,344	18,306
Reclassification adjustment on deregistration of foreign subsidiaries	–	–	–	–	–	–	–	1,511	–	–	1,511	–	1,511
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	9,371	14,473	–	(18,827)	5,017	8,328	13,345
Subscription of new shares	14,906	–	–	–	–	–	–	–	–	–	14,906	–	14,906
Share issuing expenses	–	(980)	–	–	–	–	–	–	–	–	(980)	–	(980)
Capital reduction	(71,840)	–	–	71,840	–	–	–	–	–	–	–	–	–
Disposal of property, plant and equipment	–	–	–	–	–	–	(51)	–	–	51	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	241	(241)	–	–	–
As at 31 December 2020	17,960	602,284	12,600	228,958	509	–	17,500	7,787	10,119	(697,740)	199,977	73,072	273,049

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Cash flows from operating activities		
Loss before tax from continuing operation	**(21,956)**	(171,767)
Loss before tax from discontinued operation	**(1,444)**	(117,145)
Adjustments for:		
Bank interest income	**(65)**	(49)
Depreciation of property, plant and equipment	**15,728**	23,814
Depreciation of right of-use assets	**5,647**	5,581
(Gain)/loss on disposal of property, plant and equipment	**(3)**	6,470
Gain arising on fair value change of financial assets at fair value through profit or loss	**(4,343)**	–
Finance costs	**3,559**	4,008
Impairment loss recognised under expected credit loss model, net of reversal	**12,207**	234,234
Provision for compensation and cost for legal cases	**1,516**	1,527
Gain on deregistration of subsidiaries	**(544)**	–
Reversal of provision for long service payment	**–**	(2)
Operating cash flows before movements in working capital	**10,302**	(13,329)
Change in inventories	**15,269**	(7,149)
Change in trade and bill receivables	**(68,898)**	(33,608)
Change in prepayment, deposits and other receivables	**983**	82,984
Change in financial assets at fair value through profit or loss	**(7,806)**	–
Change in restricted bank deposits	**3**	45
Change in trade payables	**24,344**	8,549
Change in contract liabilities	**(1,016)**	1,338
Change in accruals and other payables	**15,511**	(13,975)
Cash (used in)/generated from operations	**(11,308)**	24,855
Bank interest received	**65**	49
Income tax paid	**(2,422)**	(1,219)
Net cash (used in)/generated from operating activities	**(13,665)**	23,685

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(13,264)**	(51,580)
Proceeds from disposal of property, plant and equipment	**26**	2,256
Net cash used in investing activities	**(13,238)**	(49,324)
Cash flows from financing activities		
Proceeds from new borrowings	**33,668**	48,016
Repayment of borrowings	**(38,440)**	(26,262)
Repayment of lease liabilities	**(4,739)**	(4,330)
Proceeds from issue of new shares	**14,906**	16,973
Share issuing expenses	**(980)**	–
Advance from a shareholder	**2,975**	2,702
Interest paid	**(3,559)**	(4,008)
Net cash generated from financing activities	**3,831**	33,091
Net (decrease)/increase in cash and cash equivalents	**(23,072)**	7,452
Effect of foreign exchange rate changes	**7,008**	(1,559)
Cash and cash equivalents at the beginning of the reporting period	**29,049**	23,156
Cash and cash equivalents at the end of the reporting period	**12,985**	29,049

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

The Company's principal activity is investment holding. The Group is principally engaged in manufacturing and trading of pre-stressed high strength concrete pile, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products. The Group was also engaged in provision of financial services, for which the board of directors decided not to renew the money lenders license (the "**License**") upon expiration on 11 February 2020, that was discontinued accordingly.

The consolidated financial statements are presented in thousands of units of Hong Kong dollar ("**HK$'000**"), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the disclosure requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap.622.

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and financial instruments that are measured at revalued amounts or at fair value at the end of each reporting period.

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, 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 take into account a market participant's ability to generate economic benefits by using the net 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 property, plant and equipment which are transacted at fair value and a valuation technique that 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.

2. BASIS OF PREPARATION *(Continued)*

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.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

New and amendments to HKFRSs in issue 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 and the related Amendments[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 -2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

The directors anticipate that application of new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements 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 involvement with the investee; and
- has the ability to use its power to affect its returns.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when 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 Group 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 owners of the Company and to non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to non-controlling interests even if this results in 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 the Group's accounting policies.

All intragroup 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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (the "**CGUs**") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar ("**HKD**")) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

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

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

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

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

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

Lease

Definition of lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, 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.

The Group as lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases 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 over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Lease *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets

The cost of right-of-use assets 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 are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets with indefinite useful lives are carried at costs less accumulated impairment losses.

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) 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 had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) 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 under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instrument

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 at fair value through profit or loss ("**FVTPL**")) 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 at FVTPL 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 carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instrument *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at 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 fair value through other comprehensive income ("**FVTOCI**") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, 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. 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.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade, bill and loan receivables, deposits and other receivables, restricted bank deposits and cash and cash equivalents), which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instrument *(Continued)*

Impairment of financial assets *(Continued)*

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 end of the reporting period. Assessments 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 end of the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case 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.

(i) *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 end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account 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 results 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instrument *(Continued)*

Impairment of financial assets *(Continued)*

(ii) Definition of default

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.

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) 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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instrument *(Continued)*

Impairment of financial assets *(Continued)*

(v) 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 and 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.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instrument *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either 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.

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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade payables, accruals and other payables, amounts due to non-controlling interests, amount due to a shareholder and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest method.

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.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Borrowing cost

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

Revenue from contracts with customers

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit obligations

Payments to the Mandatory Provident Fund Scheme (the "**MPF Scheme**") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Retirement benefit obligations *(Continued)*

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$30,000. The Group's contributions to the scheme are expensed as incurred are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in the People's Republic of China (the "**PRC**") are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Employee long service payment

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

Share-based payments

Equity-settled share-based payments transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). For share options that vest immediately at the date of grant, the fair value of share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or cancelled after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognised in share option reserve will be transferred to share capital.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 loss 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 of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences 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 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.

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 to the same taxable entity by the same taxation authority.

Current and deferred tax are 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and contingent assets

A contingent liabilities is possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent assets is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. When inflow is virtually certain, as asset is recognised.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

Related party transactions

For the purposes of these consolidated financial statements, a person or an entity is considered to be related to the Group if as follows:

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

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

  (ii) has significant influence over the Group; or

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related party transactions *(Continued)*

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

(i) The entity and the Group are the 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 another entity (or of 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.

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

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

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

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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

(a) Estimated impairment of goodwill

Goodwill is reviewed for impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount of the CGU is the greater of the fair value less costs of disposal and value in use. An estimation of the value in use of the CGU involves estimating the future cash flows expected to arise from its continuing use and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the CGU.

(b) Assessment of economic useful lives of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are depreciated over their economic useful lives. The assessment of estimated useful life is a matter of judgment based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long life of assets, changes to the estimates used can result in variations in their carrying amounts.

(c) Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and accumulated impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying amount of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

(d) Fair value measurement of property, plant and equipment

As at 31 December 2020, certain of the Group's property, plant and equipment amounting to HK$128,697,000 (2019: HK$101,015,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility, which have led to higher degree of uncertainties in respect of the valuations in current year. Changes in assumptions relating to these factors could result in material adjustments to the fair value. See note 6 for further disclosures.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(e) Provision of ECL for financial assets measured at amortised cost

Financial assets measured at amortised cost with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables which are individually insignificant. 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 the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the Covid-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increase credit default rates. The information about the ECL and the Group's financial assets measured at amortised cost are disclosed in note 41 to the consolidated financial statements.

(f) Current and deferred income tax

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

(g) Allowance for slow-moving inventories

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

6. FAIR VALUE MEASUREMENTS

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the directors at the end of each reporting period to explain the cause of fluctuations in fair value of the asset.

The following table presents the fair value of the Group's financial instruments and property, plant and equipment measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: fair value measured using level 2 inputs i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs are input for which market data are not available; and

- Level 3 valuations: fair value measured using significant unobservable inputs.

6. FAIR VALUE MEASUREMENTS *(Continued)*

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the events or change in circumstances that caused the transfer.

There were no transfers between level 1 and level 2, or transfers into or out of level 3 for both years.

(a) Disclosures of level in fair value hierarchy:

	As at 31 December 2020			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Recurring fair value measurements:				
Financial assets at fair value through profit or loss	**12,149**	**–**	**–**	**12,149**
Property, plant and equipment:				
Buildings	**–**	**–**	**57,645**	**57,645**
Plant, machinery and office equipment	**–**	**–**	**68,874**	**68,874**
Motor vehicles	**–**	**–**	**2,178**	**2,178**
	12,149	**–**	**128,697**	**140,846**

	As at 31 December 2019			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements:				
Property, plant and equipment:				
Buildings	–	–	43,794	43,794
Plant, machinery and office equipment	–	–	55,151	55,151
Motor vehicles	–	–	2,070	2,070
	–	–	101,015	101,015

6. FAIR VALUE MEASUREMENTS *(Continued)*

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

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

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2019	35,973	57,237	2,181	95,391
Additions	1,160	49,258	1,144	51,562
Disposals	–	(8,607)	(119)	(8,726)
Gain/(loss) on revaluation	9,490	(20,656)	(366)	(11,532)
Depreciation provided during the year	(1,850)	(21,059)	(741)	(23,650)
Exchange realignment	(979)	(1,022)	(29)	(2,030)
As at 31 December 2019 and as at 1 January 2020	43,794	55,151	2,070	101,015
Additions	**–**	**13,041**	**223**	**13,264**
Disposals	**–**	**(1)**	**(22)**	**(23)**
Gain on revaluation	**12,530**	**5,994**	**185**	**18,709**
Depreciation provided during the year	**(2,192)**	**(12,987)**	**(385)**	**(15,564)**
Exchange realignment	**3,513**	**7,676**	**107**	**11,296**
As at 31 December 2020	**57,645**	**68,874**	**2,178**	**128,697**

The revaluation gain or loss of buildings, plant, machinery and office equipment and motor vehicles are recognised as changes in asset revaluation reserve.

In estimating the fair value of buildings, plant, machinery and office equipment and motor vehicles, the highest and best use of buildings, plant, machinery and office equipment and motor vehicles is their current use.

6. 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 buildings, plant, machinery and office equipment and motor vehicles was valued on 31 December 2020 and 31 December 2019 by LCH (Asia-Pacific) Surveyors Limited ("**LCH**"), independent valuers not connected to the Group.

The fair value of the assets was determined based on depreciation replacement cost method or comparison method that reflects recent transaction prices for similar assets, adjusted for differences in the nature, location and condition of the assets. These has been no change to the valuation technique for both years.

Details of the Group's buildings, plant, machinery and office equipment and motor vehicles about the fair value hierarchy as at the end of the reporting period are as follows:

Property, plant and equipment	Location	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings	PRC	Depreciation replacement cost method	Average construction cost	RMB1,700 to 2,200 (2019: RMB1,200 to 1,840) per square meter	The higher the average construction cost, the higher the fair value.
			Replacement cost rates	68% to 86% (2019: 71% to 88%)	The higher the replacement cost rates, the higher the fair value.
Plant, machinery and office equipment	PRC and Hong Kong	Depreciation replacement cost method	Replacement cost rates	4% to 94% (2019: 4% to 94%)	The higher the replacement cost rates, the higher the fair value.
Motor vehicles	PRC and Hong Kong	Comparison method	Second hand market price	HK$460 to HK$428,000 (2019: HK$3,800 to HK$742,000)	The higher the second hand market price, the higher the fair value.

(d) Fair value of financial assets and liabilities carried at other than fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

7. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors, being the chief operating decision maker (the "**CODM**"), for the purpose of monitoring segment performance and allocating resources between segments and that are used to make strategic decisions.

The Group has two reportable segments during the year ended 31 December 2020. The reportable segments are based on the information about the operations of the Group that management uses to make decisions.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different markets and requires different marketing strategies. Particulars of the Group's reportable segments for continuing and discontinued operations are summarised as follows:

Continuing operation

Sales and manufacturing and pre-stressed high strength concrete pile, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-concrete products and related processing income (the "**PHC piles and other products**")

Discontinued operation

Money lending business (the "**Financial Services**")

The Group engaged in the Financial Services operation, for which the board of directors decided not to renew the License upon expiration on 11 February 2020, that was discontinued accordingly. Details of the discontinued operation is set out in note 16. Thereafter, the CODM considered the Group has only one reporting and operating segment under HKFRS 8 *Operating Segments*, thus no segment information is presented.

Since over 90% of the Group's revenue and operating profit were generated in the PRC for both years and over 90% of the Group's non-current assets were located in the PRC, no geographical segment information in accordance with HKFRS 8 is presented.

Information about major customer

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2020 **HK$'000**	2019 HK$'000
PHC piles and other products		
Customer A *(note)*	**46,756**	N/A

Except for the above disclosure, no other customers contributed 10% or more to the Group's revenue for both years.

Note:

Revenue derived from Customer A did not contribute over 10% of revenue of the Group during the year ended 31 December 2019.

8. REVENUE

	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operation		
Revenue from contracts with customers recognised at a point in time:		
Sales of PHC piles and other products	**384,960**	356,409

Sales of PHC piles and other products

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

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

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

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

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contract for PHC piles and other products such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the sales contract that had an original expected duration of one year or less.

9. OTHER INCOME

	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operation		
Bank interest income	**65**	16
Compensation income	**1,435**	1,381
Government grants	**461**	1,578
Sundry income	**464**	98
	2,425	3,073

During the current year, the Group recognised government grants of HK$461,000 in respect of Covid-19-related subsidies which relates to Employment Support Scheme provided by the Hong Kong government and subsidies provided by the PRC local government as a support. There were no unfulfilled conditions or contingencies relating to these government grants.

10. OTHER GAINS AND LOSSES, NET

	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operation		
Exchange loss, net	**221**	2,620
Realised loss arising on change in fair value of financial assets at fair value through profit or loss	**2,841**	–
Unrealised gain arising on change in fair value of financial assets at fair value through profit or loss	**(7,184)**	–
Impairment loss recognised under expected credit loss model, net of reversal:		
– trade, bill and loan receivables	**15,600**	5,618
– deposits and other receivables	**(3,438)**	111,436
(Gain)/loss on disposal of property, plant and equipment	**(3)**	6,470
Gain on deregistration of subsidiaries	**(2,055)**	–
Provision for compensation and cost for legal cases	**1,516**	1,527
	7,498	127,671

11. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Continuing operation		
Interest on leases liabilities	**380**	709
Interest on interest-bearing borrowings	**3,040**	3,299
Interest expenses to securities brokers	**139**	–
	3,559	4,008

12. LOSS FOR THE YEAR

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

	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operation		
Cost of inventories sold	**220,588**	205,738
Depreciation of property, plant and equipment	**15,713**	23,237
Depreciation of right-of-use assets	**5,647**	5,581
Auditor's remuneration:		
– Audit services	**680**	2,150
– Non-audit services	**258**	–
Provision of compensation and cost for legal cases	**1,516**	1,527
Staff costs (including directors' remuneration):		
– salaries, bonuses and allowances	**37,064**	35,934
– reversal of provision for long service payment	**–**	(2)
– retirement benefits scheme contributions	**879**	1,706
	37,943	37,638

13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remuneration for the year is as follows:

	2020 HK$'000	2019 HK$'000
Fees	**865**	687
Other emoluments:		
Salaries, allowances and benefits in kind	**2,689**	4,629
Retirement benefits scheme contributions	**54**	73
	2,743	4,702
	3,608	5,389

13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' remuneration *(Continued)*

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

	2020			
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Fok Po Tin (Chairman) (appointed on 3 July 2020)	–	322	9	331
Mr. Chim Sai Yau, Oscar (appointed on 28 May 2019 and retired on 30 June 2020)	–	300	9	309
Mr. Li Chongyang	–	1,287	18	1,305
Mr. Law Chun Choi (appointed on 28 May 2019)	–	780	18	798
	–	2,689	54	2,743
Non-executive director				
Mr. Lum Pak Sum (appointed on 28 May 2019)	325	–	–	325
Independent non-executive directors				
Mr. Choi Pun Lap (appointed on 28 May 2019)	180	–	–	180
Mr. Tong Leung Sang (appointed on 6 June 2019)	180	–	–	180
Mr. Chan Sung Wai (appointed on 6 June 2019)	180	–	–	180
	540	–	–	540
	865	2,689	54	3,608

13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' remuneration *(Continued)*

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any subsidiaries of the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2019: four) directors, details of whose remuneration are set out above. Details of remuneration of the remaining two (2019: one) highest paid individual(s) who are not a director of the Company are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	**1,385**	525
Retirement benefits scheme contributions	**50**	15
	1,435	540

The remuneration of the remaining highest paid individual(s) fell within the band of below HK$1,000,000 (2019: below HK$1,000,000).

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors or five highest paid individuals waived or agreed to waive any emoluments for both years.

(c) Senior management remuneration by band

The remuneration of senior management, excluding directors, is within the following band:

	Number of individuals	
	2020	2019
Nil – HK$1,000,000	**4**	4

14. INCOME TAX (CREDIT)/EXPENSE

	2020 HK$'000	2019 HK$'000
Continuing operation		
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**1,612**	1,162
– Under-provision in prior years	**52**	1,442
Current tax – Hong Kong Profits Tax		
– Over-provision in prior years	**(20)**	–
	1,644	2,604
Deferred tax (credit)/charge *(note 33)*	**(4,530)**	2,502
Income tax (credit)/expense	**(2,886)**	5,106

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces 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%.

14. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The directors 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% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made for both years as the Group has no assessable profits arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

The PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% for both years.

A reconciliation of income tax (credit)/expense and loss before tax is as follows:

	2020 **HK$'000**	2019 HK$'000
Continuing operation		
Loss before tax	**(21,956)**	(171,767)
Notional tax on loss before tax, calculated at the applicable tax rates in respective jurisdictions	**(4,193)**	(31,162)
Tax effect of expense not deductible for tax purpose	**1,864**	33,118
Tax effect of income not taxable for tax purpose	**(1,726)**	(5)
Tax effect of estimated tax losses not recognised	**1,137**	1,713
Under-provision in prior years	**32**	1,442
Income tax (credit)/expense	**(2,886)**	5,106

15. DIVIDENDS

No final dividend was paid or proposed during the year (2019: Nil), nor any dividend has been proposed by the board of directors subsequent to the end of the reporting period.

16. DISCONTINUED OPERATION

On 11 February 2020, being the date of expiration of the License, the board of directors decided not to renew the License. The non-renewal of the License is consistent with the Group's long-term policy to focus its activities on the Group's other business. As a result of the expiration of the License, the board of directors is in the opinion that the Financial Services operation should be classified as the discontinued operation.

16. DISCONTINUED OPERATION *(Continued)*

The result of the discontinued operation for the period/year, which have been included in the consolidated statement of profit or loss were as follows:

	Period from 1 January 2020 to respective date of termination of the License HK$'000	Year ended 31 December 2019 HK$'000
Revenue	**6**	543
Other income	**159**	535
Other gains and losses, net	**(1,556)**	(117,179)
Administrative expenses	**(53)**	(1,044)
Loss before tax	**(1,444)**	(117,145)
Income tax expense	**–**	–
Loss for the period/year from discontinued operation attributable to owners of the Company	**(1,444)**	(117,145)

Loss for the period/year from discontinued operation has been arrived at after charging/(crediting):

	Period from 1 January 2020 to respective date of termination of the License HK$'000	Year ended 31 December 2019 HK$'000
Depreciation of property, plant and equipment	**15**	577
Staff costs (including directors' remuneration):		
– salaries, bonus and allowances	**–**	4
Exchange gain, net	**–**	(3)
Impairment loss recognised under expected credit loss model, net of reversal:		
– trade, bill and loan receivables	**–**	117,178
– deposits and other receivables	**45**	1
Loss on deregistration of subsidiaries	**1,511**	–
Expenses relating to short-term leases	**–**	140

16. DISCONTINUED OPERATION *(Continued)*

Cash flows of the discontinued operation for the period/year were as follows:

	Period from 1 January 2020 to respective date of termination of the License HK$'000	Year ended 31 December 2019 HK$'000
Net cash generated from operating activities	**631**	8,065
Net cash used in financing activities	**(653)**	(8,467)
Net cash outflow	**(22)**	(402)

17. LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2020 HK$'000	2019 HK$'000
Loss:		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(18,827)**	(283,995)

	2020 '000	2019 '000 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basis and diluted loss per share	**172,350**	143,975

The weighted average number of ordinary shares for the year ended 31 December 2019 for the purposes of calculating basic and diluted loss per share have been adjusted for the capital reorganisation which took place on 23 November 2020.

As the Company's outstanding convertible notes and share options where applicable had an anti-dilutive effect to the basic loss per share calculation, the exercise of the above potential dilutive shares is not assumed in the calculation of diluted loss per share for both years.

17. LOSS PER SHARE *(Continued)*

From continuing operation

The calculation of basic and diluted loss per share from continuing operation attributable to owners of the Company is based on the following data:

	2020 HK$'000	2019 HK$'000 (Restated)
Loss:		
Loss for the purpose of basic and diluted loss per share (loss for the year from continuing operation attributable to owners of the Company)	**(17,383)**	(166,850)

The weighted average number of ordinary shares used herein are the same as those detailed above for the purpose of basic and diluted loss per share from continuing and discontinued operations respectively.

From discontinued operation

The calculation of basic and diluted loss per share from discontinued operation attributable to owners of the Company are based on the following data:

	Period from 1 January 2020 to respective date of termination of the License HK$'000	Year ended 31 December 2019 HK$'000
Loss:		
Loss for the purpose of basic and diluted loss per share (loss for the period/year from discontinued operation attributable to owners of the Company)	**(1,444)**	(117,145)

The weighted average number of ordinary shares used herein are the same as those detailed above for the purpose of basic and diluted loss per share from continuing and discontinued operations respectively.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2020						
Cost or valuation	53,645	136,367	3,605	1,386	298	195,301
Accumulated depreciation and impairment loss	(9,851)	(81,216)	(1,535)	(543)	(298)	(93,443)
Carrying amounts	43,794	55,151	2,070	843	–	101,858
Carrying amounts as at 1 January 2020	43,794	55,151	2,070	843	–	101,858
Additions	–	13,041	223	–	–	13,264
Disposals	–	(1)	(22)	–	–	(23)
Gain on revaluation	12,530	5,994	185	–	–	18,709
Depreciation provided during the year	(2,192)	(12,987)	(385)	(164)	–	(15,728)
Exchange realignment	3,513	7,676	107	–	–	11,296
Carrying amounts as at 31 December 2020	57,645	68,874	2,178	679	–	129,376
As at 31 December 2020						
Cost or valuation	70,471	164,663	3,651	1,386	298	240,469
Accumulated depreciation and impairment loss	(12,826)	(95,789)	(1,473)	(707)	(298)	(111,093)
Carrying amounts	57,645	68,874	2,178	679	–	129,376

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

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

As at 31 December 2020 and 2019, the Group's buildings, plant, machinery and office equipment and motor vehicles were valued by an independent professional qualified valuer, LCH, which has appropriate qualifications and recent experience in the valuation of similar assets.

As at 31 December 2020, certain buildings and plant and machinery of the Group with carrying amounts of HK$57,645,000 (2019: HK$43,794,000) and HK$29,538,000 (2019: HK$26,592,000) were pledged to secure the Group's interest-bearing borrowings (note 32).

19. RIGHT-OF-USE ASSETS

	2020 HK$'000	2019 HK$'000
Carrying amounts as at 31 December		
– Leased properties	**2,292**	6,951
– Leasehold land	**38,108**	36,766
	40,400	43,717
Depreciation charge of right-of-use assets		
– Land use rights	**988**	997
– Land and buildings	**4,659**	4,584
	5,647	5,581
Expenses related to short-term leases	**–**	140
Total cash outflow for leases	**5,119**	5,179
Additions to right-of-use assets	**–**	444

The Group leases various office for its operations. Lease agreements are typically made for fixed periods ranging from 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The carrying amounts of the leasehold land is located in the PRC under the medium-term lease where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these leasehold land. Lump sum payments were made upfront to acquire these property interests from their previous owners, and there are no longer payments to be made under the term of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities. The leasehold land components of these owned properties are presented separately only if the payment can be allocated reliably.

As at 31 December 2020, leasehold land with carrying amounts of HK$21,048,000 (2019: HK$21,725,000) were pledged to secure banking facilities granted to the Group (note 32).

20. INTANGIBLE ASSETS

	Financial services licences HK$'000
Cost	
As at 1 January 2019, as at 31 December 2019 and as at 1 January 2020	11,786
Derecognised	(11,786)
As at 31 December 2020	–
Accumulated amortisation and impairment losses	
As at 1 January 2019, as at 31 December 2019 and as at 1 January 2020	11,786
Derecognised	(11,786)
As at 31 December 2020	–
Carrying amount	
As at 31 December 2020	**–**
As at 31 December 2019	–

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

21. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to two CGUs, comprising a subsidiary in financial services and a subsidiary in PHC piles and other products businesses. The carrying amount of goodwill as at 31 December 2020 and 2019 allocated to these units are as follows:

	Financial services HK$'000	PHC piles and other products HK$'000	Total HK$'000
Cost			
As at 1 January 2019, as at 31 December 2019 and as at 1 January 2020	1,041	84,421	85,462
Derecognised	(1,041)	–	(1,041)
As at 31 December 2020	–	84,421	84,421
Accumulated impairment losses			
As at 1 January 2019, as at 31 December 2019 and as at 1 January 2020	1,041	64,480	65,521
Derecognised	(1,041)	–	(1,041)
As at 31 December 2020	–	64,480	64,480
Carrying amount			
As at 31 December 2020	**–**	**19,941**	**19,941**
As at 31 December 2019	–	19,941	19,941

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

Financial services

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

PHC piles and other products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 20% (2019: 20%) and cash flow beyond the five-year period are extrapolated using a steady 2% growth rate (2019: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

21. GOODWILL *(Continued)*

PHC piles and other products *(Continued)*

During the year ended 31 December 2020, management of the Group determines that there is no impairment (2019: no impairment) on CGU of PHC piles and other products with reference to valuation performed by LCH. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount. The cash flow projections, growth rate and discount rate have been reassessed as at 31 December 2020 taking into consideration higher degree of estimation uncertainties in the current year due to how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operation. If the discount rate was changed to 31%, while other parameters remain constant, the recoverable amount of CGU would equal to its carrying amount.

22. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**11,377**	19,952
Finished goods	**6,325**	13,019
	17,702	32,971

23. TRADE, BILL AND LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables from contracts with customers	**208,187**	143,282
Less: allowance for credit losses	**(69,744)**	(48,957)
Trade receivables (net of allowance for credit losses)	**138,443**	94,325
Bill receivables	**950**	334
Less: allowance for credit losses	**(27)**	(4)
Trade and bill receivables (net of allowance for credit losses)	**139,366**	94,655
Loan receivables	**129,141**	130,882
Less: allowance for credit losses	**(129,141)**	(130,141)
Loan receivables (net of allowance for credit losses)	**–**	741
Total trade, bill and loan receivables (net of allowance for credit loss)	**139,366**	95,396

As at 1 January 2019, trade receivables arising from contracts with customers (before allowance for credit losses) amounted to approximately HK$101,280,000.

As at 31 December 2020, trade, bill and loan receivables (net of allowance for credit losses) denominated in Renminbi ("**RMB**") are approximately HK$139,366,000 (2019: HK$94,655,000).

23. TRADE, BILL AND LOAN RECEIVABLES *(Continued)*

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

Loan receivables of HK$129,141,000 (2019: HK$130,882,000) which bore fixed interest rates ranging from 8% to 10% (2019: 8% to 10%) per annum and, of which HK$129,141,000 (2019: HK$130,141,000) were secured with charges over the assets owned by the borrowers.

(a) Aging analysis

The aging analysis of trade and bills receivables (net of allowance for credit losses), based on the invoice date or revenue recognition date, is as follows:

	2020 **HK$'000**	2019 HK$'000
Within 3 months	**97,115**	78,966
4 to 6 months	**39,426**	6,325
7 to 12 months	**2,825**	6,964
Over 12 months	**–**	2,400
	139,366	94,655

The aging analysis of loan receivables (net of allowance for credit losses), based on the date of inception or renewal for loans, is as follows:

	2020 **HK$'000**	2019 HK$'000
Within 3 months	**–**	–
4 to 6 months	**–**	–
7 to 12 months	**–**	741
	–	741

23. TRADE, BILL AND LOAN RECEIVABLES *(Continued)*

(b) Impairment of trade, bill and loan receivables

As at 31 December 2020, included in the Group trade and bill receivables (net of allowance for credit losses) balance are debtors with aggregates carrying amounts of approximately HK$42,251,000 (2019: HK$26,685,000), which are past due at the end of the reporting period. Out of the past due balances, HK$14,880,000 (2019: HK$12,119,000) (net of allowance for credit loss) has been past due 90 days or more and is not considered as in default because of no recent history of default and the directors are in opinion of these balances are still considered as collectible.

The following table shows the movement in lifetime ECL that has been recognised under the simplified approach:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019	5,700	38,733	44,433
Impairment loss recognised	5,803	5,493	11,296
Impairment loss reversed	–	(5,678)	(5,678)
Exchange realignment	(211)	(879)	(1,090)
As at 31 December 2019 and as at 1 January 2020	11,292	37,669	48,961
Impairment loss recognised	12,946	8,225	21,171
Impairment loss reversed	(995)	(3,576)	(4,571)
Transfer to lifetime ECL (credit-impaired)	(4,221)	4,221	–
Exchange realignment	1,190	3,020	4,210
As at 31 December 2020	**20,212**	**49,559**	**69,771**

The following table shows the reconciliation of loss allowance of loan receivables that has been recognised under the general approach:

	12m ECL HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019	12,963	–	12,963
Impairment recognised	–	117,178	117,178
Transfer to lifetime ECL (credit-impaired)	(12,963)	12,963	–
As at 31 December 2019 and as at 1 January 2020	–	130,141	130,141
Impairment loss reversed	–	(1,000)	(1,000)
As at 31 December 2020	**–**	**129,141**	**129,141**

23. TRADE, BILL AND LOAN RECEIVABLES *(Continued)*

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

During the year ended 31 December 2019, loan receivables with the amounts of approximate HK$117,178,000 was recognised as lifetime ECL (credit-impaired). The directors, referenced on a valuation report as prepared by LCH, classified the entire loan receivables as credit-impaired as a result of default payment of principal amount of loan receivables and loan interest receivables and difficulties on enforceability of the collaterals held by the Group.

Details of impairment assessment are set out in note 41.

24. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Prepayment, deposits paid and other receivables	**173,910**	175,036
Refundable deposits paid for acquisition of subsidiaries (note (a))	**106,637**	106,637
	280,547	281,673
Less: allowance for credit losses	**(194,155)**	(191,909)
	86,392	89,764

As at 31 December 2020, deposits and other receivables (net of allowance for credit losses) denominated in RMB is approximately HK$81,878,000 (2019: HK$87,478,000).

Notes:

(a) References are made to the Company's announcements dated 12 September 2017 and 10 October 2017. During the year ended 31 December 2017, the Group paid refundable earnest money of HK$100,000,000 to acquire certain equity interests of a target group. As security for the repayment of the refundable earnest money of HK$100,000,000, the entire issued share capital of the holding company of the target group held by the vendor was charged in favour of the Group, and the performance of all the obligations of the vendor was guaranteed by the shareholder of the vendor. Further reference is made to the Company's announcement dated 2 July 2019, the Group decided not to proceed with the acquisition. However, the vendor failed to return the earnest money of HK$100,000,000. Legal actions have been taken against the vendor and the Guarantor. Further details are set out in note 43. In the opinion of the directors, as the recovery of the refundable deposits and the difficulties on enforceability of collaterals held by the Group is remote, the refundable deposit of HK$100,000,000 was fully impaired during the year ended 31 December 2019.

(b) The following table show reconciliation on loss allowance of deposits and other receivables under general approach:

	12m ECL HK$'000	**Lifetime ECL (not credit-impaired)** HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at 1 January 2019	–	–	80,431	80,431
Impairment loss recognised	4,853	–	109,476	114,329
Impairment loss reversed	–	–	(2,891)	(2,891)
Exchange realignment	(19)	–	59	40
As at 31 December 2019 and as at 1 January 2020	4,834	–	187,075	191,909
Impairment loss recognised	6,670	375	45	7,090
Impairment loss reversed	(1,044)	–	(9,439)	(10,483)
Written-off as uncollectible	–	–	(45)	(45)
Transfer to lifetime ECL (not credit-impaired)	(3,789)	3,789	–	–
Transfer to lifetime ECL (credit-impaired)	(885)	–	885	–
Exchange realignment	336	–	5,348	5,684
As at 31 December 2020	**6,122**	**4,164**	**183,869**	**194,155**

Details of impairment assessment are set out in note 41.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OF LOSS

	2020 **HK$000**	2019 HK$000
Listed securities classified as held for trading investments:		
– Equity securities listed in related stock exchange, at fair value	**12,149**	–

At the end of the reporting period, all financial assets at FVTPL are stated at fair values. Fair values of listed securities classified as held for trading investments are determined with reference to quoted market closing prices.

26. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	2020 **HK$'000**	2019 HK$'000
Cash and bank balances	**12,985**	29,049

As at 31 December 2020, cash and bank balances of HK$4,833,000 (2019: HK$9,608,000) are denominated in RMB. RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

(b) Restricted bank deposits

As at 31 December 2020, bank balance of approximately HK$1,000 (2019: HK$4,000) is frozen in relation to the legal proceedings and denominated in RMB.

27. TRADE PAYABLES

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

	2020 **HK$'000**	2019 HK$'000
Within 3 months	**55,692**	51,735
4 to 6 months	**18,169**	14,322
7 to 12 months	**1,911**	–
Over 12 months	**13,065**	4,382
	88,837	70,439

The average credit terms received from suppliers of the Group is 30 days. All trade payables are denominated in RMB as at 31 December 2020 and 2019.

28. ACCRUALS AND OTHER PAYABLES

	2020 **HK$'000**	2019 HK$'000
Accruals and other payables	**23,476**	13,737
Provision of compensation and cost for legal cases	**17,495**	15,004
	40,971	28,741

As at 31 December 2020, accruals and other payables denominated in RMB and USD are approximately HK$36,702,000 (2019: HK$19,665,000) and HK$116,000 (2019: nil) respectively.

29. CONTRACT LIABILITIES

	2020 **HK$000**	2019 HK$000
Deposits received from customers for sales of PHC piles and other products	**3,509**	4,760

As at 1 January 2019, contract liabilities amounted to approximately HK$3,422,000.

Contract liabilities represented advance payments received from customers for sales of PHC piles and other products pursuant to the respective sales contracts before the control of the products are passed to the customers.

For the contract liabilities as at 31 December 2019, the entire balances are recognised as revenue during the year ended 31 December 2020.

30. LEASE LIABILITIES

	2020 **HK$'000**	**2019** **HK$'000**
Within one year	**2,466**	4,739
In the second to fifth years, inclusive	**–**	2,466
	2,466	7,205
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(2,466)**	(4,739)
Amount due for settlement after 12 months	**–**	2,466

As at 31 December 2020 and 2019, the average effective incremental borrowing rate was 7.5% (2019: 7.5%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

31. AMOUNTS DUE TO NON-CONTROLLING INTERESTS/A SHAREHOLDER

The amounts due to non-controlling interests and a shareholder are unsecured, interest-free, repayable on demand and denominated in RMB and HKD respectively.

32. INTEREST-BEARING BORROWINGS

	2020		2019	
	Maturity	**HK$'000**	Maturity	HK$'000
Secured borrowings	**2021 – 2023**	**38,257**	2020 – 2021	45,790
Unsecured bond	**2025**	**3,000**	2025	3,000
		41,257		48,790

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

	2020	2019
	HK$'000	HK$'000
Analysed into:		
Within one year	**29,944**	40,376
Between one and two years	**1,188**	5,414
More than three years	**10,125**	3,000
	41,257	48,790

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

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

	2020	2019
	%	%
Variable-rate bank borrowings	**4.35 – 7.5**	4.20 – 8.12

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

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

		2020	2019
	Notes	**HK$'000**	HK$'000
Buildings	18	**57,645**	43,794
Plant and machinery	18	**29,538**	26,592
Right-of-use assets	19	**21,048**	21,725

33. DEFERRED TAX

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

Deferred tax assets	Provision for impairment loss of trade receivables HK$'000	Provision for impairment loss of inventories HK$'000	Provision for impairment loss of other receivables HK$'000	Provision for impairment loss of property, plant and equipment HK$'000	Total HK$'000
As at 1 January 2019	5,958	166	4,183	1,398	11,705
Credited/(charged) to profit or loss *(note 14)*	1,404	(165)	(4,169)	(1,397)	(4,327)
Exchange realignment	(159)	(1)	(14)	(1)	(175)
As at 31 December 2019 and as at 1 January 2020	**7,203**	**–**	**–**	**–**	**7,203**
Credited to profit or loss *(note 14)*	**4,150**	**–**	**–**	**–**	**4,150**
Exchange realignment	**715**	**–**	**–**	**–**	**715**
As at 31 December 2020	**12,068**	**–**	**–**	**–**	**12,068**

Deferred tax liabilities	Revaluation of property, plant and equipment HK$'000
As at 1 January 2019	8,639
Credited to profit or loss *(note 14)*	(1,825)
Credited to other comprehensive income	(2,883)
As at 31 December 2019 and as at 1 January 2020	**3,931**
Credited to profit or loss *(note 14)*	**(380)**
Charged to other comprehensive income	**4,667**
Exchange realignment	**(21)**
As at 31 December 2020	**8,197**

As at 31 December 2020, the Group has unused estimated tax losses of HK$62,892,000 (2019: HK$59,337,000) that are available indefinitely for offsetting against future taxable profits of the group entities in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Except for tax losses arising in the PRC will be expired within 5 years, the unrecognised tax losses could be carried forward indefinitely.

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

As at 31 December 2020, there was no significant unrecognised deferred tax liabilities (2019: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group controls the dividend policy of these subsidiaries and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future.

34. SHARE CAPITAL

	Number of shares		Amount	
	As at 31 December 2020 '000	As at 31 December 2019 '000	**As at 31 December 2020 HK$'000**	As at 31 December 2019 HK$'000
Ordinary shares of HK$0.1 each				
Authorised:				
At the beginning of the reporting period	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Share consolidated *(note b(i))*	**(8,000,000)**	–	**–**	–
Share sub-division *(note b(iii))*	**8,000,000**	–	**–**	–
At the end of the reporting period	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At the beginning of the reporting period	**748,936**	624,136	**74,894**	62,414
Subscription of new shares *(note a)*	**149,064**	124,800	**14,906**	12,480
Share consolidation *(note b(i))*	**(718,400)**	–	**–**	–
Capital reduction *(note b(ii))*	**–**	–	**(71,840)**	–
At the end of the reporting period	**179,600**	748,936	**17,960**	74,894

Notes:

(a) On 27 March 2019, the Company completed to issue and allot 124,800,000 new ordinary shares at a subscription price of HK$0.136 per share. The net proceeds will be used for general working capital purposes.

On 30 March 2020, the Company completed to issue and allot 149,063,676 new ordinary shares at a subscription price of HK$0.1 per share. The net proceeds of approximately HK$13.9 million will be used for general working capital purposes.

(b) At a special general meeting of the Company held on 19 November 2020, a special resolution was passed to approve the following changes to the capital of the company (the "**Capital Reorganisation**"):

(i) Share consolidation: every five issued and unissued existing shares will be consolidated into one consolidated share of HK$0.5 each (the "**Consolidated Share**");

(ii) Capital reduction: (1) any fractional Consolidated Share in the issued share capital of the Company arising from the share consolidation shall be cancelled; and (2) the par value of all the then issued Consolidated Shares shall be reduced from HK$0.5 each to HK$0.1 each by cancelling the paid up capital of the Company to the extent of HK$0.4 on each of the Consolidated Shares and the credit arising from the reduction of issued share capital of the Company be credited to the contributed surplus of the Company; and

(iii) Share sub-division: every unissued Consolidated Share of HK$0.5 each in the authorised share capital of the Company will be sub-divided into five adjusted shares of HK$0.1 each.

The Capital Reorganisation was effected on 23 November 2020.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

35. CONVERTIBLE NOTES

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

The convertible notes holders are entitled to convert the convertible notes into ordinary shares of the Company at a conversion price of HK$0.183 (adjusted) per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the convertible notes) at any time during the period commencing from the date of issuance of the convertible notes to the maturity date. Unless conversion notice shall have been previously given by the note holder to the Company, the Company may, by giving the note holder not less than 7 days prior written notice at any time after the date of issuance of the convertible notes, redeem the notes at a value equal to the principal amount of the notes to be redeemed. On maturity date, any convertible notes not being redeemed or converted shall be converted into conversion shares at the conversion price subject to compliance with the Listing Rules. If any conversion will trigger breach of the Listing Rules, then the Company may convert such sum of the convertible notes into shares as it considers appropriate and the remaining balance will be cancelled immediately.

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

During the year ended 31 December 2016, the Company redeemed convertible notes with an aggregate principal amount of HK$100,000,000 at its fair value of approximately HK$89,155,000 to settle the profit guarantee compensation receivables. No redemption was made during the years ended 31 December 2020 and 2019. As at 31 December 2020 and 2019, the unconverted convertible notes were under dispute with a third party and litigation is in progress as disclosed in note 43.

As at 31 December 2020, the convertible notes of the Company with an aggregate principal amount of HK$30,000,000 (2019: HK$30,000,000) were still outstanding and are convertible into 3,278,688 shares (2019: 16,393,442 shares) with conversion price of HK$9.15 (2019: HK$1.83). The conversion price and number of convertible shares of the outstanding convertible notes was adjusted on 23 November 2020 as a result of Completion of Capital Reorganisation.

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

36. RESERVES

(a) Share premium account and capital redemption reserve

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

(b) Contributed surplus

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

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

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

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

(c) Share option reserve

Share option reserve comprises the fair value of the actual or estimated number of shares issuable under unexercised share options granted to participants recognised in accordance with accounting policy set out in note 4.

(d) Asset revaluation reserve

Asset revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for property, plant and equipment set out in note 4.

(e) Exchange fluctuation reserve

Exchange fluctuation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. HKD) are recognised directly in other comprehensive income and accumulated in the exchange fluctuation reserve. Such exchange differences accumulated in the exchange fluctuation reserve shall be reclassified to profit or loss on disposal of the foreign operations.

(f) Statutory reserve

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

37. SHARE OPTION SCHEME

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

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

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

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

37. SHARE OPTION SCHEME *(Continued)*

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

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

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

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

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

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

37. SHARE OPTION SCHEME *(Continued)*

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

The following table discloses movement of the Company's share options under the Option Scheme during the years ended 31 December 2019 and 2020:

	Date of grant	Exercise period	Exercise price HK$ (note)
Directors	22 June 2016	22 June 2016 – 21 June 2026	1.6820
Substantial shareholders	22 June 2016	22 June 2016 – 21 June 2026	1.6820
Employees	22 June 2016	22 June 2016 – 21 June 2026	1.6820
Consultants	22 June 2016	22 June 2016 – 21 June 2026	1.6820

	Outstanding as at 1 January 2019	Cancelled during the year *(note)*	Outstanding as at 31 December 2019, as at 1 January 2020 and as at 31 December 2020
Executive directors			
Li Chongyang	**1,000,000**	**(1,000,000)**	**–**
Qi Jiao (resigned on 22 May 2019)	**4,360,000**	**(4,360,000)**	**–**
Lam Kai Yeung (re-designated to executive director on 31 July 2018 and resigned on 6 June 2019)	**1,000,000**	**(1,000,000)**	**–**
Leung Chi Fai (executive duties suspended on 27 July 2018 and resigned on 22 May 2019)	**1,000,000**	**(1,000,000)**	**–**
Non-executive directors			
Huang Weidong (resigned on 25 May 2019)	**4,360,000**	**(4,360,000)**	**–**
Independence non-executive directors			
Cong Yongjian (resigned on 6 June 2019)	**1,000,000**	**(1,000,000)**	**–**
Substantial shareholders			
Business Century Investments Limited	**2,900,000**	**(2,900,000)**	**–**
Everun Oil Co., Limited	**2,900,000**	**(2,900,000)**	**–**
Employees			
in aggregate	**1,000,000**	**(1,000,000)**	**–**
Consultants			
in aggregate	**4,360,000**	**(4,360,000)**	**–**
	23,880,000	**(23,880,000)**	**–**

Note:

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

During the years ended 31 December 2020 and 2019, no option has been granted, exercised, lapsed or expired under the Option Scheme.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	Lease liabilities	Amounts due to non-controlling interests	Amount due to a shareholder	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2019	27,988	–	494	–	28,482
Financing cash flows	18,455	(5,039)	–	2,702	16,118
Non-cash changes:					
Recognition upon initial application of HKFRS 16	–	11,535	–	–	11,535
Interest expense recognised	3,299	709	–	–	4,008
Exchange realignment	(952)	–	(11)	–	(963)
As at 31 December 2019 and as at 1 January 2020	48,790	7,205	483	2,702	59,180
Financing cash flows	(7,813)	(5,119)	–	2,975	(9,957)
Non-cash changes:					
Interest expense recognised	3,040	380	–	–	3,420
Exchange realignment	(2,760)	–	32	–	(2,728)
As at 31 December 2020	**41,257**	**2,466**	**515**	**5,677**	**49,915**

39. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties:

Compensation of key management personnel

Compensation of key management personnel of the Group, including directors' remuneration, as disclosed in note 13 to the consolidated financial statements is as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, wages and other benefits	**3,958**	5,724
Retirement benefits scheme contributions	**71**	87
	4,029	5,811

40. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of total liabilities and total equity. The Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2020 and 2019 are as follows:

	2020 HK$'000	2019 HK$'000
Total liabilities	**197,331**	174,125
Total equity	**273,049**	245,778
Debt to equity ratio	**72%**	71%

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments:

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**12,149**	–
Financial assets at amortised cost:		
Trade, bill and loan receivables	**139,366**	95,396
Deposits and other receivables	**51,192**	48,985
Restricted bank deposits	**1**	4
Cash and cash equivalents	**12,985**	29,049
	215,693	173,434
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade payables	**88,837**	70,439
Accruals and other payables	**23,476**	13,737
Amounts due to non-controlling interests	**515**	483
Amount due to a shareholder	**5,677**	2,702
Interest-bearing borrowings	**41,257**	48,790
	159,762	136,151

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

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

(a) Market risk

Foreign exchange risk

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

Interest rate risk

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

Equity price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. For equity securities measured at FVTPL quoted in relevant stock exchange, the directors manage this exposure by maintaining a portfolio of investments with different risks. The management has monitored the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis of equity securities with fair value measurement categorised within Level 1, the sensitivity rate is increased to 5% in 2020 as a result of the volatile financial market.

If the prices of the respective equity instruments had been 5% higher/lower, the pre-tax loss for the year ended 31 December 2020 would increase/decrease by approximately HK$607,000 (2019: nil) as a result of the changes in fair value of listed equity securities classified as FVTPL.

(b) 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, bill and loan receivables, restricted bank deposits, bank balances, deposits and other receivables.

Trade and bill receivables

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant.

The Group has concentration of credit risk as 16% (2019: 19%) and 42% (2019: 40%) of the total trade and bill receivables was due from the Group's largest customer and the five largest customers respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

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

(b) Credit risk and impairment assessment *(Continued)*

Trade and bill receivables *(Continued)*

Trade receivables are assessed based on provision matrix, except for trade receivables with gross carrying amounts of approximately HK$49,559,000 (2019: HK$37,669,000), which are credit-impaired, that are assessed individually. The Group performed impairment assessment for the trade receivables equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk for trade receivables which are assessed collectively based on provision matrix except for those who are assessed individually or credit-impaired:

	Average expected loss rate	**Gross carrying amounts HK$'000**	**Loss allowance HK$'000**
Current (not past due)	**1%**	**98,512**	**1,397**
3 months past due	**3%**	**28,167**	**796**
4-6 months past due	**5%**	**12,723**	**668**
7-12 months past due	**23%**	**3,678**	**853**
Over 12 months past due	**100%**	**16,498**	**16,498**
As at 31 December 2020		**159,578**	**20,212**

	Average expected loss rate	Gross carrying amounts HK$'000	Loss allowance HK$'000
Current (not past due)	1%	66,580	710
3 months past due	3%	17,139	473
4-6 months past due	5%	6,354	330
7-12 months past due	22%	4,724	1,029
Over 12 months past due	78%	11,150	8,750
As at 31 December 2019		105,947	11,292

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.

Loan receivables

The management estimates the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged and the possibility of enforcement of collateral pledged for the loan receivables. During the year ended 31 December 2019, impairment loss of approximately HK$117,178,000 is recognised.

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

(b) Credit risk and impairment assessment *(Continued)*

Restricted bank deposits and bank balances

Credit risk on restricted bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies.

Deposits and other receivables

For deposits and other receivables, the management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL except for balances of HK$4,164,000 (2019: nil) and HK$183,869,000 (2019: HK$187,075,000) were impaired based on lifetime ECL classified as not credit-impaired and credit-impaired respectively as a result of significant increase in credit risk. For the year ended 31 December 2020 and 2019, impairment loss of approximately HK$7,090,000 (2019: HK$114,329,000) are recognised in respect of deposits and other receivables during the year ended 31 December 2020.

During the year ended 31 December 2020, the Group recognised impairment amounts of approximately HK$21,171,000, nil and HK$7,090,000 (2019: HK$11,296,000, HK$117,178,000 and HK$114,329,000) for trade and bill receivables, loan receivables and deposits and other receivables respectively.

(c) Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2020, the Group has available unutilised short-term bank loan facilities of approximately HK$8,111,000 (2019: HK$7,602,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

As at 31 December 2020	On demand or within 1 year HK$'000	1-2 years HK$'000	Over 2 years HK$'000	Total undiscounted cash flows HK$'000
Trade payables	88,837	–	–	88,837
Accruals and other payables	23,476	–	–	23,476
Amounts due to non-controlling interests	515	–	–	515
Amount due to a shareholder	5,677	–	–	5,677
Lease liabilities	2,520	–	–	2,520
Interest-bearing borrowings	31,638	1,720	10,922	44,280
	152,663	1,720	10,922	165,305

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

(c) Liquidity risk *(Continued)*

As at 31 December 2019	On demand or within 1 year HK$'000	1-2 years HK$'000	Over 2 years HK$'000	Total undiscounted cash flows HK$'000
Trade payables	70,439	–	–	70,439
Accruals and other payables	13,737	–	–	13,737
Amounts due to non-controlling interests	483	–	–	483
Amount due to a shareholder	2,702	–	–	2,702
Lease liabilities	5,119	2,519	–	7,638
Interest-bearing borrowings	42,266	5,767	3,732	51,765
	134,746	8,286	3,732	146,764

42. SUBSIDIARIES

Particulars of the subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2020	2019	Principal activities
Direct subsidiaries:					
First Billion Global Limited	The British Virgin Islands ("**BVI**")	US$1	**100%**	100%	Investment holding
Palestine Global Limited	BVI	US$1	**100%**	100%	Investment holding
Grand Insight Global Limited	BVI	US$50,000	**100%**	100%	Investment holding
Sunway International Group Limited	BVI	US$50,000	**100%**	100%	Investment holding
Top Margin Group Limited	BVI	US$1	**100%**	100%	Investment holding
Sunway New Energy Industry Group Limited ("**Sunway New Energy**")	BVI	US$50,000	**100%**	100%	Investment holding
Lucky Digit Holdings Limited	BVI	US$1	**100%**	100%	Investment holding
Insight City Investments Limited	BVI	US$50,000	**–**	100%	Deregistered (2019: Investment holding)
Golden Elements Limited	BVI	US$50,000	**–**	100%	Deregistered (2019: Real estate development)

42. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2020	2019	Principal activities
Baicui Investments Limited	BVI	US$50,000	–	100%	Deregistered (2019: Dormant)
Ever Vision Enterprises Limited	Hong Kong	HK$1	**100%**	100%	Property development
Kirin Lane Limited	BVI	US$50,000	–	100%	Deregistered (2019: Dormant)
Nordic Lane Limited	BVI	US$50,000	–	100%	Deregistered (2019: Investment holding)
Australia Real Estate Fund Parent	Cayman Islands	US$1	–	100%	Deregistered (2019: Investment holding)
Big Bay SLP Limited	Cayman Islands	US$1	–	100%	Deregistered (2019: Dormant)
Indirect subsidiaries:					
Joint Expert Global Limited	BVI	US$1	**100%**	100%	Investment holding
Royal Asia International Limited	Hong Kong	HK$1,000,000	**100%**	100%	Investment holding
Zhuhai Hoston Special Materials Co., Ltd. ("**Zhuhai Hoston**")*@	PRC	RMB56,000,000	**95%**	95%	Investment holding
Guangdong Hengjia Building Materials Co., Ltd. ("**Guangdong Hengjia**")*#	PRC	RMB50,000,000	**66.5%**	66.5%	Manufacturing and trading of PHC plies, bricks, aerated concrete products and eco-permeable concrete products
Topping Gain International Limited	Hong Kong	HK$1	**100%**	100%	Dormant
Sunway Financial Management Limited	Hong Kong	HK$2,000,000	**100%**	100%	Investment holding (2019: Money lending)
Sunway International Management Limited	Hong Kong	HK$2,000,000	**100%**	100%	Management service

42. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2020	2019	Principal activities
Sunway New Energy Industry Investment Limited	Hong Kong	HK$10,000,000	**100%**	100%	Dormant
Big Bay Asset Management (HK) Limited	Hong Kong	HK$500,000	**100%**	100%	Dormant (2019: Assets management service)
Big Bay Securities (HK) Limited	Hong Kong	HK$30,000,000	**100%**	100%	Dormant (2019: Securities brokerage service)
中國大灣投資(香港)有限公司	Hong Kong	HK$10,000	–	100%	Deregistered (2019: Investment holding)
深圳市大灣投資諮詢有限公司	PRC	Nil	–	100%	Deregistered (2019: Dormant)
Big Bay Balanced Fund	Cayman Islands	US$1	–	100%	Deregistered (2019: Dormant)
深圳大灣股權投資基金管理有限公司	PRC	Nil	–	100%	Deregistered (2019: Assets management service)
Sunway Management Company Limited	Cayman Islands	US$100	–	100%	Deregistered (2019: Dormant)
United Education Fund Parent	Cayman Islands	US$1	–	100%	Deregistered (2019: Investment holding)
United Education Fund General Partner	Cayman Islands	US$1	–	100%	Deregistered (2019: Dormant)
Big Bay Investment Fund SPC	Cayman Islands	US$1	**100%**	100%	Dormant
Australia Real Estate Fund General Partner	Cayman Islands	US$100	–	70%	Deregistered (2019: Dormant)

* *For identification purpose only*

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

The Group's equity interest of Guangdong Hengjia was frozen in relation to the litigation proceedings as mentioned in note 43 but the share impoundment has expired and become invalid during the year.

42. SUBSIDIARIES *(Continued)*

Except otherwise stated, the principal place of operation of the subsidiaries is in Hong Kong.

None of the subsidiaries had debt securities outstanding at the end of the year or at any time during the year.

The subsidiaries in the PRC are private companies with limited liabilities.

The following table shows financial information of Guangdong Hengjia that has non-controlling interests material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	2020 HK$'000	2019 HK$'000
As at 31 December		
Non-current assets	**152,124**	144,335
Current assets	**292,827**	258,349
Current liabilities	**(249,036)**	(212,472)
Non-current liabilities	**(21,698)**	(9,345)
Net assets	**174,217**	180,867
Non-controlling interests	**69,178**	60,590
Year ended 31 December:		
Revenue	**384,960**	356,409
Loss for the year	**(4,696)**	(24,773)
Total comprehensive income/(loss) for the year	**25,637**	(37,667)
Loss for the year attributable to non-controlling interests	**(1,573)**	(8,299)
Total comprehensive income/(loss) for the year attributable to non-controlling interests	**8,588**	(13,704)
Dividends paid to non-controlling interests	**–**	–
Net cash generated from operating activities	**4,115**	38,204
Net cash used in investing activities	**(1,328)**	(51,100)
Net cash (used in)/generated from financing activities	**(7,576)**	18,680
Net cash (outflow)/inflow	**(4,789)**	5,784

Except for Guangdong Hengjia, the directors consider that the Group's non-controlling interests were insignificant to the Group and thus are not separately presented in these financial statements for both years. In addition, no separate financial information of these non-wholly owned subsidiaries is required to be presented.

43. LEGAL PROCEEDINGS

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

1. Sunway Financial Management Limited as the plaintiff

Reference is made to the Company's announcement dated 20 January 2020 in relation to provision of financial assistance and announcement dated 12 August 2020 in relation to clarification on audited annual results announcement, despite the issue of legal demand letters in August 2019, the six borrowers (and their guarantors, if applicable) (the "**Loan Debtors**") who are independent third parties have failed to settle any outstanding loans and interests. As a result, Sunway Financial Management Limited has taken the following legal proceedings against the Loan Debtors:

(a) Huali Capital

In respect of the loan advanced to Huali Capital (a company registered in Hong Kong), which was guaranteed by Tailor Wealth Group Limited ("**Tailor Wealth**"), a Writ of Summons against Huali Capital had been issued in the High Court of Hong Kong under the action no. HCA 746/2020 on 21 May 2020 and had been served upon Huali Capital at its registered office on 1 June 2020. Gallant Solicitors and Notaries ("**Gallant**"), solicitors for the Company, had obtained judgment (the "**Judgment**") in default on 18 August 2020. Since Huali Capital had failed to satisfy the Judgment, a statutory demand was served on Huali Capital on 7 October 2020. The Company filed a petition for winding up against Huali Capital on 18 November 2020. An Order for winding up by the Court was made on 17 February 2021 and it is ordered that Huali Capital be wound up.

In respect of the guarantor Tailor Wealth (a company registered in the BVI), Mr. Matthew Richardson of Grant Thornton (British Virgin Islands) Limited, a licensed insolvency practitioner in BVI and Mr. David Bennett of Grant Thornton Recovery & Reorganisation Limited in Hong Kong had been appointed as joint liquidators. A Winding Up Order was made on 18 January 2021 and it was ordered that Tailor Wealth be liquidated by the Court.

(b) Mei Rui

In respect of the loan advanced to Mei Rui (a company registered in the BVI), legal advice had been obtained from a BVI legal firm, namely Appleby to take legal action against Mei Rui. Mr. Matthew Richardson and Mr. David Bennett had been appointed as joint liquidators. A Winding Up Order was made on 18 January 2021 and it was ordered that Mei Rui be liquidated by the Court.

(c) Shenzhen Siping

In respect of the loan advanced to Shenzhen Siping (a company incorporated in Mainland China), legal advice had been obtained from a legal firm in the Mainland China namely Zhuoxin Law Firm. The legal actions against Shenzhen Siping for the recovery of outstanding loan receivables had been commenced in August 2020. It is now waiting for Zhuoxin Law Firm to provide updates regarding the progress of the legal action.

(d) Fuzhou Xufa

In respect of the loan advanced to Fuzhou Xufa (a company incorporated in Mainland China), legal advice had been obtained from a legal firm in the Mainland China, namely Zhuoxin Law Firm, to commence legal actions against Fuzhou Xufa for the recovery of outstanding loan receivables. Subsequently, HK$1 million had been received from Fuzhou Xufa and the parties had reached an agreement to withdraw the PRC legal action for further negotiation. However, final settlement has not been reached yet due to lasting travel restrictions. Meanwhile, application for refund of half of the costs of the legal action from the Mainland Court is being under progress.

43. LEGAL PROCEEDINGS *(Continued)*

1. Sunway Financial Management Limited as the plaintiff *(Continued)*

(e) Charmate

In respect of the loans advanced to Charmate (a company registered in the BVI) which were guaranteed by Mr. Chen Zhiguo, legal advice had been obtained from a BVI legal firm, namely Appleby, to take legal action against Charmate. Mr. Matthew Richardson and Mr. David Bennett had been appointed as joint liquidators. A Winding Up Order was made on 18 January 2021 and it was ordered that Charmate be liquidated by the Court.

In respect of the guarantor Mr. Chen Zhiguo (being a Chinese national), legal advice had been obtained from Ms. Vivien Leung, a barrister practising in Hong Kong, that it is permissible to commence legal action against Mr. Chen as the guarantor only (i.e. without joining Charmate in the legal action) to recover the indebtedness under Hong Kong laws. The notarized Hong Kong legal opinion, statement of claim and the list of evidence were sent to a legal firm in the Mainland China, namely Zhuoxin Law Firm, to commence legal action against Mr. Chen in the Mainland Court.

(f) Fuzhou Dongye

In respect of the loan advanced to Fuzhou Dongye and the subsequent assignment of loan to Sky Long, legal advice had been obtained from a Samoa legal firm, namely Leung Wai Law Firm as to the most cost-effective way to recover the loan receivables from Sky Long. It has been noted that Sky Long is the holding company of Tailor Wealth which is the holding company of Huali Capital. Since winding up and enforcement actions have been taken against Tailor Wealth and Huali Capital, actions will be taken against Sky Long after the result of the liquidation of Tailor Wealth in the BVI and Huali Capital in Hong Kong in order to save costs.

2. Sunway New Energy Industry Group Limited as the plaintiff

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

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

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

43. LEGAL PROCEEDINGS *(Continued)*

2. Sunway New Energy Industry Group Limited as the plaintiff *(Continued)*

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

According to the civil ruling by the Court on 16 July 2019, the Guarantor's assets with value within RMB100,000,000 being the shares of PRC companies as owned by the Guarantor (the "**Frozen Assets**") were suspended for a period of three years. As advised by the Company's PRC Counsel dated 25 September 2020, the Frozen Assets, which were also under liquidation proceedings in some other legal cases, had to be released under the PRC laws. However, for prudence purpose and compliance with HKFRS 9, full impairment had already been made against the Refundable Earnest Money during the year ended 31 December 2019 in accordance with the valuation report.

Meanwhile, a bill of indictment had been sent to the Vendor and the legal proceedings are still in progress. As advised by the Company's PRC counsel, the trial has commenced on 23 February 2021. It is now waiting for the final judgement which may take 1 to 2 months for the Court to deliver the Judgment. Upon service of the judgment, the losing party has the right to lodge an appeal within 30 days from the date of service. In the event of not lodging any appeal, the winning party may enforce the judgment if the judgment sum is not paid by the losing party.

3. The Company/its subsidiary as the plaintiff

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

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

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

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

43. LEGAL PROCEEDINGS *(Continued)*

4. The Company/its subsidiary as the defendant

References are made to the announcement of the Company dated 11 November 2016 and the Annual Report 2019 in relation to the civil complaints involving Zhuhai Hoston, an indirectly owned (95%) subsidiary of the Company.

Upon the respective applications of Kou Jinshui (寇金水) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.*) ("**Zhuhai Hechuan**"), an independent third party, three bank accounts of Zhuhai Hoston and 70% equity interest of Zhuhai Hoston in Guangdong Hengjia were impounded, for the three years from 27 July 2017 to 27 July 2020, by the Xiangzhou People's Court pursuant to an execution order dated 27 December 2016. As at the date this report, the share impoundment has expired and become invalid.

Save as disclosed above and elsewhere in this report, as at the date of this report, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group.

44. CONTINGENT LIABILITIES

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

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

The amount of the claims by Ms. Liu, in relation to the convertible notes with a face value of HK$15 million, was about HK$40 million as per the Statement of Claim dated 29 January 2016. The convertible notes were issued in favour of the vendor as part of the consideration of the sale and purchase agreement dated 3 October 2013 ("**SPA**"). According to a legal opinion dated 16 March 2021 given by the Company's solicitors, upon the fundamental breach of the SPA, it is open for the Company to argue that the terms and conditions under the SPA has failed and the outstanding convertible notes are void and have no effect.

* *For identification purpose only*

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
Non-current assets		
Right-of-use assets	**2,218**	6,654
Investments in subsidiaries	**390**	3,120
	2,608	9,774
Current assets		
Amounts due from subsidiaries	**100,859**	171,851
Prepayment and other receivables	**1,905**	1,480
Cash and cash equivalents	**7,342**	2,804
	110,106	176,135
Current liabilities		
Accruals and other payables	**3,991**	6,204
Lease liabilities	**2,387**	4,514
Amounts due to subsidiaries	**12,089**	10,950
Amount due to a shareholder	**5,677**	2,702
	24,144	24,370
Net current assets	**85,962**	151,765
Total assets less current liabilities	**88,570**	161,539
Non-current liabilities		
Provision for long service payment	**15**	15
Lease liabilities	**–**	2,387
Interest-bearing borrowings	**3,000**	3,000
	3,015	5,402
NET ASSETS	**85,555**	156,137
Capital and reserves		
Share capital	**17,960**	74,894
Convertible notes	**12,600**	12,600
Reserves	**54,995**	68,643
TOTAL EQUITY	**85,555**	156,137

Signed on its behalf by:

Fok Po Tin
Director

Law Chun Choi
Director

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

(b) Reserves of the Company

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

	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2019	598,771	157,118	509	21,524	(445,622)	332,300
Loss and total comprehensive loss for the year	–	–	–	–	(268,150)	(268,150)
Cancellation of share options	–	–	–	(21,524)	21,524	–
Subscription of new shares	4,493	–	–	–	–	4,493
As at 31 December 2019 and as at 1 January 2020	603,264	157,118	509	–	(692,248)	68,643
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(84,508)**	**(84,508)**
Share issuing expenses	**(980)**	**–**	**–**	**–**	**–**	**(980)**
Capital reduction	**–**	**71,840**	**–**	**–**	**–**	**71,840**
As at 31 December 2020	**602,284**	**228,958**	**509**	**–**	**(776,756)**	**54,995**

46. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the disclosure requirements in respect of the discontinued operation set out in note 16.

47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2021.