



# Jiu Rong Holdings Limited 久融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2358)

2019  
ANNUAL REPORT





## CONTENTS

<b>2</b>	Corporate Information
<b>3</b>	Management Discussion and Analysis
<b>9</b>	Directors and Senior Management Profiles
<b>11</b>	Corporate Governance Report
<b>24</b>	Directors' Report
<b>33</b>	Independent Auditor's Report
<b>39</b>	Consolidated Statement of Profit or Loss and Other Comprehensive Income
<b>40</b>	Consolidated Statement of Financial Position
<b>42</b>	Consolidated Statement of Changes in Equity
<b>43</b>	Consolidated Statement of Cash Flows
<b>45</b>	Notes to the Consolidated Financial Statements
<b>116</b>	Five-Year Financial Summary

## CORPORATE INFORMATION

### DIRECTORS

Executive Directors

Mr. Siu Chi Ming

Ms. Wang Liping (*resigned on 9 July 2019*)

Mr. Yin Jianwen

Independent Non-executive Directors

Mr. Chen Zheng (*appointed on 9 July 2019*)

Mr. Wang Ning

Mr. Wu Yinong (*resigned on 17 April 2019*)

Mr. Yuan Qian Fei

### AUDIT COMMITTEE

Mr. Yuan Qian Fei (*Chairman*)

Mr. Chen Zheng (*appointed on 9 July 2019*)

Mr. Wu Yinong (*resigned on 17 April 2019*)

Mr. Wang Ning

### NOMINATION COMMITTEE

Mr. Chen Zheng (*Chairman*)

(*appointed on 9 July 2019*)

Mr. Wu Yinong (*resigned on 17 April 2019*)

Mr. Wang Ning

Mr. Yuan Qian Fei

### REMUNERATION COMMITTEE

Mr. Wang Ning (*Chairman*)

Mr. Chen Zheng (*appointed on 9 July 2019*)

Mr. Yuan Qian Fei

Mr. Wu Yinong (*resigned on 17 April 2019*)

Mr. Siu Chi Ming

### REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 8, 49/F.

Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

### COMPANY SECRETARY

Mr. Siu Chi Ming

### AUTHORISED REPRESENTATIVES

(*for the purposes of the listing rules*)

Mr. Siu Chi Ming

Mr. Yin Jianwen

### AUTHORISED REPRESENTATIVES

(*to accept service of process and notices under Part XI of the Hong Kong Companies Ordinance*)

Mr. Siu Chi Ming

Mr. Yin Jianwen

### AUDITOR

ZHONGHUI ANDA CPA Limited

*Certified Public Accountants*

Unit 701, 7/F

Citicorp Centre

18 Whitfield Road

Causeway Bay

Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Rooms 1712-16, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

### PRINCIPAL BANKERS

China Everbright Bank Company Limited

Mizuho Bank Limited

### STOCK CODE

The Stock Exchange of Hong Kong Limited: 2358

### WEBSITE

<http://www.irasia.com/listco/hk/2358>

<http://www.jiurongkg.com>

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Overall Financial Results

The board (the “**Board**”) of directors (the “**Directors**”) of Jiu Rong Holdings Limited (the “**Company**”) is pleased to present this annual report and audited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2019 (the “**Year**”) to the shareholders of the Company.

For the year ended 31 December 2019, the Group achieved turnover of approximately HK\$608,698,000, representing an increase of approximately 12% from approximately HK\$543,276,000 in last corresponding year. The Group recorded gross profit of approximately HK\$107,375,000. The Group achieved profit for the Year attributable to owners of the Company of approximately HK\$26,241,000. Basic profit per share of the Company was approximately HK0.48 cents while basic profit per share for the year ended 31 December 2018 was approximately HK0.99 cents. As at 31 December 2019, balance of cash and cash equivalents of the Group were approximately HK\$109,248,000 (2018: approximately HK\$42,627,000).

### Turnover

For the Year under review, the Group recorded turnover of approximately HK\$608,698,000 which was mainly contributed by the Digital Video Business, the New Energy Vehicles Business, Cloud Ecological Big Data Business and Properties Investments.

In 2019, the Group’s business has five (2018: five) reporting segments.

### Business Operations

#### (i) Digital Video Business

The Group through its wholly owned subsidiary, Soyea Jiu Rong Technology Co., Ltd.\* (數源久融技術有限公司) (“**Soyea Jiu Rong**”) carries out the research and development, manufacturing and sales of digital television (“**TV**”), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry.

#### (ii) New Energy Vehicles Business

The Group through its wholly owned subsidiary, Jiu Rong New Energy Science and Technology Limited\* (久融新能源科技有限公司) (“**Jiu Rong New Energy**”) carries out the construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems and processing services in relation to new energy vehicles spare parts.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

### (iii) Cloud Ecological Big Data Business

The Group through its wholly owned subsidiary, Hangzhou Yunqi Cloud Data Limited\* (杭州云栖云数据有限公司) (“**Yunqi Cloud Data**”) carries out the application and management of cloud ecological big data.

### (iv) Properties Development

The Group through its wholly owned subsidiary, Hangzhou Lu Yun Property Limited\* (杭州绿云置业有限公司) carries out the properties development of big data industrial park in Hangzhou. It is expected that the park will establish a “Cloud Ecological System” to build a new generation of information technology (such as AR/VR, face recognition, digital maps, etc.) and communication technology, such as Internet of Things, big data, cloud computing, (such as 5G, LTE-V, NB-IOT, etc.) throughout the cloud industry park in all aspects, to create the country’s first all-intelligent perception, interoperability cloud ecological park. The Group completed the acquisition of 46% equity interests of Heilongjiang Xin Luzhou Real Estate Development Limited\* (黑龙江新绿洲房地产开发有限公司) (“**Xin Luzhou**”) in 2018, Xin Luzhou will be an associate of the Company to principally engage in the development of industrial park, commercial and residential properties in Limin Avenue, Limin Development Zone, Harbin, the PRC.

### (v) Properties Investments

The Group through its wholly owned subsidiary, Hangzhou Lu Yun Property Limited\* (杭州绿云置业有限公司) to conduct the properties investment for rental income from the big data industrial park in Hangzhou.

### Gross Profit Margin

During the Year under review, the gross profit margin decreased from approximately 23% to 18%.

### Expenses

During the Year under review, the Group adopted stringent cost controls on its operation. Management of the Group always believes that maintaining a high standard of cost control on expenses were for the benefits of the Group. Therefore, management regularly reviewed and updated controls and procedures to ensure that cost control objectives can be achieved.

### Financial Position and Liquidity

As at 31 December 2019, the gearing ratio was 1.6 (2018: 1.9), which was measured on the basis of the Group’s net debt divided by the capital plus net debt. The Group had net current liabilities as at 31 December 2019 and 2018.

For the Year under review, the Group generated approximately HK\$668,295,000 (2018: generated approximately HK\$163,670,000) of cash from its operations. As at 31 December 2019, the Group had cash and cash equivalents of approximately HK\$109,248,000 (2018: approximately HK\$42,627,000).

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, surplus in shareholders' equity was approximately HK\$519,988,000 (2018: surplus in shareholders' equity of approximately HK\$474,851,000). Current assets of the Group amounted to approximately HK\$832,461,000 (2018: HK\$900,798,000).

As at 31 December 2019, the Group's net debts amounted to approximately HK\$1,397,875,000 (2018: net debts of approximately HK\$1,159,446,000). Trade and notes receivables increased from approximately HK\$245,530,000 as at 31 December 2018 to approximately HK\$408,019,000 as at 31 December 2019.

During the Year under review, the Group provided an impairment loss of approximately HK\$471,000 on trade receivables (2018: impairment of trade receivables approximately HK\$2,236,000).

### Pledged of Assets

As at 31 December 2019, the Group has pledged certain of its bank deposit of approximately HK\$23,392,000 (2018: approximately HK\$135,848,000), properties held for sale of approximately HK\$86,323,000 (2018: Nil) and trade receivables of approximately HK\$31,383,000 (2018: Nil) to secure bank loans and its notes payables.

### Significant Investments

The Group did not have any significant investments during the Year under review.

### Capital Structure

During the Year under review, there was no change in the Company's capital structure.

### Significant Securities Investments

The Group did not have any significant investments during the Year under review.

### Risk of Intense Competition

The Group's Digital Video Business faces intense competition and such competition puts downward pressure on the price of the products of the Digital Video Business. The Group's market position depends on the ability to estimate and manage competition, including the introduction of new or improved products and services, pricing strategies of competitors and preferences of customers. If the Group fails to maintain competitive price of similar products or services or provide distinctive products or services, it may lose its customers to competitors. Moreover, competition may cause reduction in price, gross profit margin and market share of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Risk of Unstable Electricity Supply

The New Energy Vehicles Business relies on stable supplies of electricity to charge electric vehicles, in order to ensure the stable supply of electricity and lower the electricity cost, the charging session mainly scheduled from mid night to 4 a.m. whereas the social demand of electricity and electricity fee is at the lowest level.

### Charging Safety

The most critical risk of the New Energy Vehicles Business is charging safety, the Group has implemented staff manual to guide the staff how to operate the charging piles and the charging piles will stop automatically when abnormal charging incidents happened so as to keep the high safety level.

### Foreign Exchange and Currency Risks

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### Contingent Liabilities and Capital Commitments

The Group does not have any contingent liability in the Year under review (2018: Nil). The Group had capital commitment of approximately HK\$122,980,000 in the Year under review (2018: approximately HK\$252,460,000).

### Employees Benefit and Expenses

As at 31 December 2019, there were 311 employees (2018: 307 employees) in the Group. The total amount of employee remuneration incurred for the Year was approximately HK\$73,531,000 (2018: approximately HK\$42,090,000). The Group determines employees' remuneration by the work responsibilities, job performance and professional experience. The Group also provides employees on-job training from time to time to upgrade the knowledge, skills and overall caliber of its employees.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in (1) manufacturing and sales of digital television (“**TV**”), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of telecommunication, TV and internet in the digital video industry (“**Digital Video Business**”); (2) the construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems and processing services in relation to new energy vehicles spare parts (“**New Energy Vehicles Business**”); (3) the application and management of cloud ecological big data industry (“**Cloud Ecological Big Data Business**”); (4) properties development of big data industrial park commercial and residential properties (“**Properties Development**”); and (5) properties investment for rental income from the big data industrial park (“**Properties Investments**”).

2019 was a challenging year macro-economically with the on-going trade war between the United States and China leads to the slowdown in global economic growth, the Group achieved profit attributable to shareholders of approximately HK\$26,241,000 for the year ended 31 December 2019 (2018: approximately HK\$54,193,000), representing a decrease of approximately 52% as compared with last year. Despite the continuing intense competition of the Digital Video Business industry, the Group has secured an increase in turnover from the Digital Video Business to approximately HK\$355,363,000 for the year ended 31 December 2019 (2018: approximately HK\$256,988,000), representing an increase of approximately 38% as compared with last year. The New Energy Vehicles Business recorded turnover of approximately HK\$192,609,000 for the year ended 31 December 2019 (2018: approximately HK\$271,205,000). As at 31 December 2019, the Group was operating 40 electric vehicles charging stations in Hangzhou with approximately 3,600 alternating current chargers of 40KW/H and approximately 1,200 direct current chargers of 60KW/H in operation. The Group was also operating 4 electric vehicles charging stations in Wuhan with 46 alternating current chargers of 7KW/H and 16 direct current chargers of 60KW/H in operation and 3 electric vehicles charging stations in Nanjing with 17 alternating current chargers of 40KW/H and 72 direct current chargers of 60KW/H. The Board is of the view that the PRC Government has emphasized on the use of new energy vehicles and reduction in carbon emissions with increase in support to the establishment of the new energy vehicles charging piles and its related operations and hence the New Energy Vehicles Business is with substantial growth potential. The Group will continue to invest in the New Energy Vehicles Business and further establish electric vehicles charging stations in Hangzhou and other provinces in the PRC to capture the electric vehicles charging market shares with the aim to be one of the largest new energy vehicles charging facilities operators in the PRC.

The Group recorded turnover of approximately HK\$25,169,000 for the year ended 31 December 2019 (2018: approximately HK\$4,956,000) from the Cloud Ecological Big Data Business, representing an increase of approximately 408% as compared with last year.

The Group recorded turnover of approximately HK\$16,202,000 for the year ended 31 December 2019 (2018: approximately HK\$10,127,000) from the Properties Investment Business, representing an increase of approximately 60% as compared with last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

Following the completion of the acquisition of 100% equity interest of Hangzhou Lu Yun Property Limited\* (杭州绿云置业有限公司), the industrial park in Hangzhou West Lake District Yunqi Cloud-Town (云栖小镇) owned by Hangzhou Lu Yun Property Limited\* (杭州绿云置业有限公司), will be the first big data industrial park of the Group. It is expected that the park will establish a “Cloud Ecological System” to build a new generation of information technology (such as AR/VR, face recognition, digital maps, etc.) and communication technology, such as Internet of Things, big data, cloud computing, (Such as 5G, LTE-V, NB-IOT, etc.) throughout the cloud industry park in all aspects, to create the country’s first all intelligent perception, interoperability cloud ecological park. The Group will co-operate with the local authorities of West Lake District and Yunqi Cloud Town (云栖小镇) as well as famous cloud computing enterprises such as Aliyun (阿里云) and West Lake Electric (西湖电子) to establish big data industrial park and hence to expand the cloud data business market of the Group.

The Directors will continue to (1) closely evaluate the performance of the above mentioned businesses; (2) invest in the New Energy Vehicles Business, the Cloud Ecological Big Data Business and the properties development of big data industrial park; (3) actively explore new businesses or investments; (4) consider fund raising opportunities which can strengthen the financial position; and (5) focus on product quality and cost control and strictly control capital expenditure in order to continuously maintain the Group’s competitiveness of the Group in order to enhance the value of the Group which will be in the interests of the Company and shareholders as a whole.

### EXPLANATION OF THE QUALIFIED OPINION IN RELATION TO THE TRADE RECEIVABLES

The Group commenced electronics trading business to Cuba since 2017, before commencement of the electronics trading business to Cuba, the managements of the electronics trading business have done due diligence checks. The Group received US dollar or Euro dollar letter of credit issued by the Banco Nacional de Cuba, then deliver goods to customers in Cuba.

However, due to the impact of natural disasters such as hurricanes and the increasingly severe economic sanctions imposed by the United States in recent years, Cuba’s foreign exchange income has declined sharply, and foreign exchange is very scarce.

As a result, the letter of credit issued by the Banco Nacional de Cuba could not be cashed. The Company actively seeking recovery of the trade receivables from the Banco Nacional de Cuba. The President of the Banco Nacional de Cuba issues an official letter to acknowledge the liabilities and undertakes to settle the debts.

As at the date of this report, the Company is still actively communicating with the Banco Nacional de Cuba to recover the funds including to find out whether it is possible to use RMB or CUC (Cuba currency) to settle the outstanding amount.

\* For identification purpose only

## DIRECTORS AND SENIOR MANAGEMENT PROFILES

### EXECUTIVE DIRECTORS

**Mr. Siu Chi Ming**, aged 39, holds a Bachelor of Business Administration (Accounting) from Hong Kong Baptist University. Mr. Siu is a fellow member of the Association of Chartered Certified Accountants and an associate of Hong Kong Institute of Chartered Secretaries as well as the Institute of Chartered Secretaries and Administrators. Prior to joining the Group, Mr. Siu was a senior manager of a corporate finance division of a licensed corporation registered under Securities and Futures Ordinance (the “SFO”) and was a licensed person registered under the SFO to carry on type 6 (advising on corporate finance) regulated activities, Mr. Siu has been involved in several corporate finance transactions including mergers and acquisitions, corporate reorganization and a variety of fund raising exercises. He is currently responsible for the overall management of the Group. Mr. Siu joined the Group and was appointed as an executive Director on 9 February 2012. Mr. Siu is an independent non-executive director of China Water Affairs Group Limited (stock code: 0855), a company listed on the Main Board of the Stock Exchange and an independent non-executive director of Ying Kee Tea House Group Limited (stock code: 8241), a company listed on GEM of the Stock Exchange.

**Mr. Yin Jianwen**, aged 51, was appointed as an executive Director and an authorised representative of the Company on 1 June 2015. Mr. Yin graduated from Hangzhou University (now named Zhejiang University) Department of Foreign Languages. Mr. Yin has extensive experiences in the import and export business, real estate, electronics operation and management. Mr. Yin was an executive director of SOYEA Technology Co., Ltd from June 2008 to August 2013, a company established under the laws of the PRC, whose issued shares are listed on the Shenzhen Stock Exchange (stock code: 000909).

## DIRECTORS AND SENIOR MANAGEMENT PROFILES

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chen Zheng**, aged 60, was appointed as an independent non-executive director on 9 July 2019. Mr. Chen is an engineer and senior economist. He holds a bachelor degree in chemical engineering and a master degree in business administration. He has extensive experience in investing business and corporate management. Mr. Chen was appointed as an Executive Director and the Chief Executive Officer of Global Digital Creations Holdings Limited (stock code: 8271) in February 2005, a company listed on the GEM of the Stock Exchange. He was re-designated as the Deputy Chairman and a Non-executive Director of Global Digital Creations Holdings Limited in December 2018.

**Mr. Wang Ning**, aged 64, was appointed as an independent non-executive director on 6 June 2017. Mr. Wang obtained his bachelor degree in political economics from the First Branch College of the Renmin University of China (中國人民大學第一分校). Mr. Wang is a senior economist with substantial experience in electronics information industry and has a deep understanding of sales, marketing, network, conferences and exhibitions and the development of consumer electronics. He was formerly the deputy director of the Office of the Bureau of Sales of the Ministry of Electronics Industry (電子工業部銷售局辦公室) of the PRC and the Director of the Management Division of the National Household Appliances Repair & Management Centre (全國家電維修管理中心). Since 1993, Mr. Wang has been the vice president and secretary general of China Electronics Chambers of Commerce (中國電子商會). Mr. Wang is currently a member of the supervisory board of Vtion Wireless Technology AG (Stock Code: V33), a Frankfurt listed company and also the president of the Consumer Electronics Magazine (《消費電子》). He was an independent director of Jilin Sino-Microelectronics Co., Ltd. (SSE stock code: 600360), a Shanghai listed company from 23 May 2009 to 19 May 2015 and was a non-executive director of China Public Procurement Limited (stock code: 1094), a Hong Kong listed company from 15 September 2011 to 30 September 2016.

**Mr. Yuan Qian Fei**, aged 55, was appointed as an independent non-executive Director on 1 October 2015. Mr. Yuan, graduated from Jiangxi Industry University (now named Nanchang University) with bachelor of engineering and Xiamen University with master of economics. Mr. Yuan is a member of the Chinese Institute of Certified Public Accountants and has extensive experiences in internal audit, accounting and business management.

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained to safeguard the interests of our shareholders, investors, customers and staff.

The Company has complied with the code provisions (the “**Code Provision(s)**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange, except for certain deviations as specified and explained below with considered reasons for such deviations.

1. Under the Code Provision A.2.1 of the CG Code, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the Year and up to the date of this report hereof, the posts of chairman and chief executive were vacant. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill, and experience be identified, the Company will make appointments to fill the posts as and when appropriate.

2. Under the Code Provision A.6.7 of the CG Code, the independent non-executive Directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, one executive director and two independent non-executive Directors did not attend the annual general meeting (“**AGM**”) held on 28 June 2019.

However, at the AGM, there were at least two executive Directors presented to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

3. Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the AGM and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the AGM.

Due to other business engagements, the chairman of the audit and remuneration committees did not attend the AGM.

4. Under Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. During the year, the Group conducted a review on the need for setting up an internal audit department. Given the Group’s simple operating structure and the potential cost burden, it was decided that the Group would not set up an internal audit department for the time being and the Board would be directly responsible for risk management and internal control systems of the Group.

The Board has taken remedial steps, actions and measures to make sure that the Company is in all aspects in strict compliance with the Listing Rules and the CG Code.

## CORPORATE GOVERNANCE REPORT

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealing (the “**Code of Conduct**”) by Directors on terms no less exacting than the required standard set out in Appendix 10 to Listing Rule (the “**Model Code**”). The Company has made specific enquiry of all Directors as to whether they have complied with the required standard set out in the Model Code and the Code of Conduct during the year ended 31 December 2019.

All the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2019.

### THE BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2019 and up to the date of this report, the composition of the Board was:

*Executive Directors:*

Mr. Siu Chi Ming  
Ms. Wang Liping (*resigned on 9 July 2019*)  
Mr. Yin Jianwen

*Independent non-executive Directors:*

Mr. Chen Zheng (*appointed on 9 July 2019*)  
Mr. Wang Ning  
Mr. Wu Yinong (*resigned on 17 April 2019*)  
Mr. Yuan Qian Fei

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationships among members of the Board.

The list of Directors of the Company and their roles and functions is posted on the websites of the Company, <http://www.irasia.com/listco/hk/2358>, and the Stock Exchange. Detailed biographies outlining each director’s range of specialist experience and suitability for the successful long-term management of the Group can be found in the Section of “**Directors and Senior Management Profiles**” on pages 9 and 10 of this annual report.

The Role of the Board

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment, controls over business operations and ensures good corporate governance and compliance with legal and regulatory requirements. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders’ value in the long run, and have aligned the Group’s goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

## CORPORATE GOVERNANCE REPORT

The Board delegates day-to-day operations of the Group to executive Directors and senior management of the Company for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its senior management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

### Directors' Appointment, Re-election and Removal

Details of the service contracts of each Executive Directors and Independent Non-executive Directors are set out in the header of "**Directors' Service Contracts**" on page 30 of the Directors' Report.

In accordance with the Company's articles of association (the "**Article(s)**"), (i) Directors appointed by the Board to fill a casual vacancy shall hold office until the next following AGM of the Company after appointment and be subject to re-election at such meeting; and (ii) one-third of the Directors for including Executive Directors and Independent Non-executive Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) are subject to retirement by rotation at every AGM.

### Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has three independent non-executive Directors representing half of the Board. Among the three independent non-executive Directors, Mr. Yuan Qian Fei has appropriate professional qualification in accounting and related financial management expertise as required by Rules 3.10(2) of the Listing Rules. None of the independent non-executive Directors is related to one another.

The independent non-executive Directors are persons of high calibre; with academic and professional qualifications in the fields of accounting, corporate finance and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The independent non-executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the independent non-executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board of the Company.

Each of Mr. Wang Ning, Mr. Yuan Qian Fei and Mr. Chen Zheng has entered into a service contract with the Company for a term of one year, subject to re-election by shareholders at the AGM of the Company at least once every three years by rotation. No Director has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Mr. Wu Yinong has resigned as independent non-executive director, chairman of the nomination committee, member of audit committee and remuneration committee of the Company with effect from 17 April 2019 due to devotion to his personal business development.

## CORPORATE GOVERNANCE REPORT

### Confirmation of Independence

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

### Directors' Training

According to the Code Provision A.6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors of the Company.

Directors' training is an ongoing process. During the Year, Directors received regular updates on changes and development to the Group's business and to legislative and regulatory environments in which the Group operate. All Directors are encouraged to attend external forum or training courses on relevant topics when count towards continuous professional development training. The Directors also disclose to the Company their interests as Directors or other offices in other public companies in a timely manner and provide updates to the Company on any subsequent changes.

The record of the trainings of the Directors, on a named basis, is set out as below:

	<b>Reading articles, newspapers, journal and/or updates</b>	<b>Attending trainings and/or seminars</b>
<b>Executive Directors</b>		
Mr. Siu Chi Ming		✓
Ms. Wang Liping ( <i>resigned on 9 July 2019</i> )	✓	
Mr. Yin Jianwen	✓	
<b>Independent Non-executive Directors</b>		
Mr. Chen Zheng ( <i>appointed on 9 July 2019</i> )	✓	
Mr. Wang Ning	✓	
Mr. Wu Yinong ( <i>resigned on 17 April 2019</i> )	✓	
Mr. Yuan Qian Fei	✓	

### Board Meetings and Board Practices

The Board holds at least four meetings a year. The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. All Directors are invited to attend the Board meetings in person or by telephone conference.

## CORPORATE GOVERNANCE REPORT

Sufficient notices for regular Board meetings and notice of reasonable notice for non-regular Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings. Board papers will be given to the Board before the date of the Board meeting by the Company Secretary.

If a substantial shareholder or a Director has a conflict of interest in a matter, the matter will be dealt by a physical Board meeting rather than a written resolution.

### BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company seeks to achieve Board diversity through the consideration of several factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness. For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

1. at least one-third of the members of the Board shall be independent non-executive Directors; and
2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives in the board diversity policy.

As at the date of this Annual Report, the Board comprises five Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

During the Year, the Board held totally five meetings and reviewed, inter alia, the performance and formulated business strategy of the Group; reviewed and approved the annual and interim results of the Group for the year ended 31 December 2018 and six months ended 30 June 2019 respectively; approved the resignation of an independent non-executive director, approved the resignation and appointment of independent non-executive directors; and approved the grant of share options.

## CORPORATE GOVERNANCE REPORT

The attendance records for the Directors' meetings are set out below:

	<b>Number of Board Meetings Attended</b>	<b>Attendance Rate</b>
<b>Executive Directors</b>		
Mr. Siu Chi Ming	5/5	100%
Ms. Wang Liping ( <i>resigned on 9 July 2019</i> )	1/2	50%
Mr. Yin Jianwen	5/5	100%
<b>Independent non-executive Directors</b>		
Mr. Chen Zheng ( <i>appointed on 9 July 2019</i> )	2/2	100%
Mr. Wang Ning	5/5	100%
Mr. Wu Yinong ( <i>resigned on 17 April 2019</i> )	1/1	100%
Mr. Yuan Qian Fei	5/5	100%

Any Director wishing to do so in the furtherance of his or her duties, may take independent professional advice at the Company's expense. The Directors are encouraged to update their skills, knowledge and familiarity with the Group through their initial induction, ongoing participation at Board and committee meetings, and through meeting key members of management.

### COMMITTEES OF THE BOARD

#### Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 22 June 2004. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Audit Committee, now published on the websites of the Company, <http://www.irasia.com/listco/hk/2358> and the Stock Exchange.

As at the date of this report, the Audit Committee comprised three members; all of them are independent non-executive Directors. The Audit Committee is chaired by Mr. Yuan Qian Fei who possesses the accounting and related financial management expertise. The members of the Audit Committee were Mr. Chen Zheng and Mr. Wang Ning.

The Audit Committee acts as an important link between the Board and the Company's auditor in matters within the scope of the Group's audit. The duties of the Audit Committee are to review and discuss on the effectiveness of external audit and risk evaluation of the Company, as well as the Company's annual report and accounts, interim report and to provide advice and comments to the Board. The Audit Committee has reviewed the audited financial statements of the Group for the Year.

## CORPORATE GOVERNANCE REPORT

The Audit Committee meets regularly with the management and the external auditor to discuss the accounting principles and practices adopted by the Group and financial reporting matters. During the Year, the Audit Committee held two meetings to review, among others, the audited financial statements for the year ended 31 December 2018 and the unaudited financial statements for the six months ended 30 June 2019 with the recommendations to the Board for approval; and had reviewed the accounting principles and policies adopted by the Group and its system of internal control.

The attendance records for the Audit Committee meetings are set out below:

	<b>Number of Audit Committee Meetings Attended</b>	<b>Attendance Rate</b>
<b>Independent non-executive Directors</b>		
Mr. Wang Ning	2/2	100%
Mr. Wu Yinong ( <i>resigned on 17 April 2019</i> )	1/1	100%
Mr. Yuan Qian Fei	2/2	100%

### Remuneration Committee

The Company established a remuneration committee (the “**Remuneration Committee**”) on 12 December 2005. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Remuneration Committee, now published on the websites of the Company, <http://www.irasia.com/listco/hk/2358> and the Stock Exchange.

As at the date of this report, the Remuneration Committee comprises four members and is chaired by Mr. Wang Ning (independent non-executive Director). The other members of the Remuneration Committee are Mr. Yuan Qian Fei (independent non-executive Director), Mr. Chen Zheng (independent non-executive Director) and Mr. Siu Chi Ming (executive Director). Accordingly, the Remuneration Committee comprises a majority of independent non-executive Directors.

The role of the Remuneration Committee is to make recommendations to the Board on the Group’s policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee also reviews and approves the compensation arrangements relating to dismissal or removal of Directors to ensure that such arrangements are in accordance with the relevant contractual terms or are otherwise reasonable and appropriate.

During the Year, the Remuneration Committee held 1 meeting to review the remuneration packages of all the Directors and the senior management of the Group. No Director was involved in deciding his own remuneration at the meeting of the Remuneration Committee.

## CORPORATE GOVERNANCE REPORT

The attendance records for the Remuneration Committee meeting are set out below:

	<b>Number of Remuneration Committee Meetings Attended</b>	<b>Attendance Rate</b>
<b>Independent non-executive Directors</b>		
Mr. Wang Ning	1/1	100%
Mr. Wu Yinong ( <i>resigned on 17 April 2019</i> )	1/1	100%
Mr. Yuan Qian Fei	1/1	100%
<b>Executive Directors</b>		
Mr. Siu Chi Ming	1/1	100%

### Nomination Committee

The Company established a nomination committee (the “**Nomination Committee**”) on 12 December 2005. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Nomination Committee, now published on the websites of the Company, <http://www.irasia.com/listco/hk/2358> and the Stock Exchange.

As at the date of this report, the Nomination Committee comprises three members, all of them are independent non-executive Directors. The Nomination Committee is chaired by Mr. Chen Zheng. The other members of the Nomination Committee are Mr. Wang Ning and Mr. Yuan Qian Fei.

The role of the Nomination Committee is to review the compositions of the Board, select, identify and recommend to the Board suitable candidates to be Directors, and assess the independence of the independent non-executive Directors.

When making recommendations regarding the appointment of any proposed candidate to the Board or reappointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including but not limited to the following in assessing the suitability of the proposed candidate:

- (a) reputation for integrity;
- (b) accomplishment, experience and reputation in the business and other relevant sectors relate to the Company and/or its subsidiaries;
- (c) commitment in respect of sufficient time and attention to the Company’s business;
- (d) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;
- (e) the ability to assist and support management and make significant contributions to the Company’s success;

## CORPORATE GOVERNANCE REPORT

- (f) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and
- (g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

During the Year under review, the Nomination Committee held one meeting to review the qualifications and the performance of the current Directors and the composition of the Board, assessed the independence of the independent non-executive Directors and recommended to the Board on relevant matters relating to the appointment of senior management.

The attendance records for the Nomination Committee meetings are set out below:

	<b>Number of Nomination Committee Meetings Attended</b>	<b>Attendance Rate</b>
<b>Independent non-executive Directors</b>		
Mr. Wang Ning	1/1	100%
Mr. Wu Yinong ( <i>resigned on 17 April 2019</i> )	1/1	100%
Mr. Yuan Qian Fei	1/1	100%

### CORPORATE GOVERNANCE FUNCTIONS

The terms of reference on corporate governance functions was adopted by the Board on 27 December 2013. The Board is responsible for performing the following corporate governance duties with its written terms of reference:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of 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 and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with the "Corporate Governance Code and Corporate Governance Report" as set out in Appendix 14 of the Listing Rules and disclosure in this Corporate Governance Report.

## CORPORATE GOVERNANCE REPORT

### ACCOUNTABILITY AND AUDIT

#### Directors' Responsibility for the Financial Statements and Financial Reporting

The Company's financial statements for the Year have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. 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.

#### Auditor's Remuneration

For the year ended 31 December 2019, the remuneration paid/payable to ZHONGHUI ANDA CPA Limited, the auditor of the Company, is set as follows:

<b>Services</b>	<b>HK\$'000</b>
Audit Services	<b>1,200</b>
Non-audit services – Report on preliminary result announcement	<b>100</b>
<b>Total</b>	<b>1,300</b>

#### Company Secretary

The Company Secretary, Mr. Siu Chi Ming ("**Mr. Siu**"), is responsible for facilitating the Board process, as well as the communications among the Board members, shareholders and management. Mr. Siu also prepares detailed minutes of each meeting. Board minutes would be sent to the Board for comments as soon as practicable. Mr. Siu reports directly to the Board. All Directors also have access to the advice and services of the Company Secretary to ensure that all applicable laws, rules and regulations are followed.

During the Year, Mr. Siu undertook over 15 hours of professional training to update his skills and knowledge.

#### Access to information

All Directors are kept informed major changes of the Group's business from time to time. They have unrestricted access to the advices from the Company Secretary who is responsible to provide the Board papers and related materials.

Minutes of Board Meeting and Board Committee meetings are kept by the Company Secretary and are open for inspection by any Director. The Directors including independent non-executive Directors may seek legal advices at the Company's expenses to discharge their duties.

## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT AND INTERNAL CONTROL

Under the Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. The Group conducted an annual review on the need of establishing an internal audit department. Given the Group's simple operating structures, it was decided that the Board would be directly responsible for risk management and internal control systems of the Group. Procedures have been designed for safeguarding assets against unauthorized use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

The key procedures that the Board has established to provide effective internal control are as follows:

- The Company has established Internal Control Policies and Procedures Manual (the "**IC Manual**") and has a checklist to ensure the compliance with the principles and the code provisions set out in the CG Code in Appendix 14 to the Listing Rules.
- Monthly management reporting system providing financial and operational performance indicators to the management and Directors with financial reporting procedures and time frame for result announcements have been established.
- Formal investment policy states the details of guidelines and procedures to be done for the proposed investment, for every proposed investment, a detail list of documents is needed to provide to the managements and Directors.
- Management structure with defined roles, responsibilities and reporting lines are established. Delegated authorities are documented and communicated.
- Several responsible persons are assigned to handle different accounting procedures for every proposed investment.
- System and procedures to identify, measure, manage and control risks including liquidity, credit, regulatory and operational risks that may have an impact on the Group.

The Board through the Audit Committee had conducted an annual review on the risk management and internal control systems of the Group. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

The Company formulated the inside information policy to provide employees with guidelines on reporting and disseminating inside information, confidentiality and compliance with restrictions on trading. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information.

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS' RIGHT

Pursuant to Article 58, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself or themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The requisition in writing should be sent to the Company's office at Flat 8, 49/F., Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The same procedure also applies to any proposal to be tabled at shareholders' meetings for adoption. The Board will review shareholders' enquires on a regular basis. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the above address.

In case of shareholding enquires, shareholders should direct their enquiries to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, via its online holding enquiry at [www.computershare.com/hk](http://www.computershare.com/hk), or by email to [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk) or dial its hotline at (852) 2862-8555 or go in person at its public counter at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

### INVESTOR AND SHAREHOLDER RELATION

The Board recognises the importance of good communications with its shareholders and investors. A Shareholders' Communication Policy setting out the principles of the Company in relation to shareholders' communications, with the objectives of ensuring a transparent and timely communication with shareholders via various means, has been established.

The Company's AGM is a valuable forum for the Board to communicate directly with the shareholders and to answer questions shareholders may raise. Separate resolutions are proposed at general meetings for each substantial issue, including the re-election and election of individual Directors. The detailed procedures of conducting a poll are explained to shareholders at the commencement of the AGM, to ensure that shareholders are familiar with such procedures.

The Company's last AGM was held on Monday, 28 June 2019 at 11:00 a.m. at Flat 8, 49/F., Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. All the resolutions proposed at that meeting were approved by shareholders of the Company by poll. Details of the poll results are available on the websites of the Company, <http://www.irasia.com/listco/hk/2358>, and the Stock Exchange. Mr. Siu Chi Ming and Mr. Yin Jianwen, attended the AGM held on Monday, 28 June 2019. Ms. Wang Liping, Mr. Wang Ning, Mr. Wu Yinong and Mr. Yuan Qian Fei did not attend the AGM due to other business engagement; The Company Secretary Mr. Siu Chi Ming also attended the AGM together with the external auditors, ZHONGHUI ANDA CPA Limited.

## CORPORATE GOVERNANCE REPORT

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner of the relevant periods in 2019, which fulfill the time limits as laid down in the Listing Rules.

The Directors are responsible for investor relations of the Company including holding meetings with equity research analysts, fund managers and institutional shareholders and investors. The market capitalisation of the Company as at 31 December 2019 was HK\$711,360,000 (issued share capital: 5,472,000,000 shares at closing market price: HK\$0.13 per share on 31 December 2019) and the public float of the Company was around 89%.

### CONSTITUTIONAL DOCUMENTS

There was no change to the Memorandum and Articles of Association of the Company during the financial year 2019. A copy of the latest consolidated version of the Memorandum and Articles of Association of the Company is posted on the websites of the Company, <http://www.irasia.com/listco/hk/2358>, and the Stock Exchange.

On Behalf of the Board

**Siu Chi Ming**

*Executive Director*

Hong Kong

21 May 2020

## DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2019.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 20 to the consolidated financial statements.

### RESULTS AND DIVIDENDS

The Group's profit for the year and the state of affairs of the Company and of the Group at 31 December 2019 are set out in the consolidated financial statements on pages 39 to 115. The Directors do not recommend the payment of any dividend for the year ended 31 December 2019.

### SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated financial results and consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 116 of this annual report. The summary does not form part of the audited consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and movements in the Company's share options during the year are set out in Notes 38 and 40 to the consolidated financial statements, respectively.

### PUBLIC FLOAT

Based on information that is publicly available to the Company and within the best knowledge of the Directors, as at the date of this report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## DIRECTORS' REPORT

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

As at 31 December 2019, so far as the Directors are aware, the following persons have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 5% or more in the issued share capital of the Company, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholder	Type of interests	Number of Shares	Percentage of interests
Alpha Century Assets Limited	Beneficial owner	600,000,000 (L)	10.96%
Ms. Wong Sin Fung ( <i>Note 1</i> )	Interest of controlled corporation	600,000,000 (L)	10.96%
SOYEA Technology Co., Limited	Beneficial owner	493,206,000 (L)	9.01%

Notes:

1. The interest in 600,000,000 shares is deemed corporate interest through Alpha Century Assets Limited.
2. The letter "L" denotes a long position and "S" denotes a short position.

Save as disclosed above, so far as was known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### SHARE OPTION SCHEME

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

Share options granted to a director, chief executive or substantial shareholder of the Company, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders' approval in a general meeting.

## DIRECTORS' REPORT

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The exercise period of the share options granted is determined by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

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

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

During the year, at 31 December 2019 and up to the date of approval of these financial statements, 547,200,000 share options have been granted under the Scheme.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the Companies Laws (2004 Revision) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

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

### RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 39 to the consolidated financial statements and in the consolidated statement of changes in equity on page 42, respectively.

### DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2019 are set out in note 39 to the financial statements.

## DIRECTORS' REPORT

### DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after considering the Company's financial results, prospects and other factors, and subject to:

- the Articles of Association of the Company;
- the applicable restrictions and requirements under the laws of the Cayman Islands;
- any banking or other funding covenants by which the Company is bound from time to time; and
- any investment, business development and operating needs of the Company.

### RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is an equal opportunity employer and does not discriminate on personal characteristics. Employees' handbook outlined terms and conditions of employment, expectations for employees' behavior and service delivery, employees' rights and benefits. We provide ongoing training and promotion opportunities to enhance employees' career progression.

The Group maintains good relationship with its customers and suppliers to meet its long-term business developments. The Group values the feedback from customers through regular communication and address their concerns in a timely manner. For suppliers, the Group assures their performance for delivering quality sustainable products and services.

During the year ended 31 December 2019, there is no circumstance of any event between the Group and its employees, customers and suppliers which will have a significant impact on the Group's business development.

### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2019 is as follows:

	<b>Percentage of the Group's total revenue</b>	
	<b>2019</b>	2018
The largest customer	<b>25%</b>	27%
Top five largest customers	<b>72%</b>	61%

	<b>Percentage of the Group's total purchase</b>	
	<b>2019</b>	2018
The largest supplier	<b>41%</b>	25%
Top five largest suppliers	<b>70%</b>	63%

## DIRECTORS' REPORT

At no time during the year have the Directors, their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers and customers.

### RISK AND UNCERTAINTIES

The principal risks and uncertainties facing the Group in its operations are outlined as below. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas.

Principal Risks	Description	Key Mitigations
New Energy Vehicles Business's strategic risk	The risk of material adverse changes to the Group's New Energy Vehicles Business's performance, development prospects and/or ability to deliver its strategy, caused by changes in the business, economic, competitive, regulatory or political environment in which the Group operates.	Proactive monitoring of the New Energy Vehicles Business industry trends, competitors and innovations.
Foreign currency risk	The Group's business mainly operates in the mainland China, accordingly, its revenue and transactions arising from its operations were generally settled in Renminbi. As the Group's reporting currency is Hong Kong dollars, any fluctuations in the value of Renminbi against Hong Kong dollars could affect the Group's performance.	Proactive monitoring of and preparation for global and local changes in regulations affecting the Group and responsive implementation of hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.
Credit risk	The risk that a counterparty will not settle an obligation in full value, either when due or at any time thereafter.	Default recovery procedures and credit risk management function as well as conduct credit checks on new customers.
Liquidity risk	The risk of being unable to settle obligations as they fall due whether relating to the Group's cash flow requirements and/or regulatory requirements.	Monitor the Group's liquidity requirements to ensure sufficient reserves of cash and adequate committed lines of funding from major financial institutions (when applicable).

## DIRECTORS' REPORT

Principal Risks	Description	Key Mitigations
Operational risk	The risk of material delay in the Group's project which may put burdens on billings, material and labour costs that adversely affects the Group's revenue and financial performance.	Implement budget control management and project planning to avoid design error or faulty contractual management or other defaults.
Legal and compliance risk	The risk of loss resulting from breach of or non-compliance with applicable laws, regulations or contractual obligations.	Consultation of expert legal advice sought and compliance reviews conducted on business activities and new initiatives when necessary.

### DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Siu Chi Ming  
 Ms. Wang Liping (*resigned on 9 July 2019*)  
 Mr. Yin Jianwen

Independent Non-executive Directors:

Mr. Chen Zheng (*appointed on 9 July 2019*)  
 Mr. Wang Ning  
 Mr. Wu Yinong (*resigned on 17 April 2019*)  
 Mr. Yuan Qian Fei

Pursuant to Article 87(1) and 87(2), Mr. Chen Zheng, Mr. Siu Chi Ming and Mr. Wang Ning shall retire from office at the forthcoming AGM of the Company. All of the above retiring Directors are eligible and will offer themselves for re-election at the forthcoming AGM of the Company.

### DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 9 and 10 of this annual report.

## DIRECTORS' REPORT

### DIRECTORS' SERVICE CONTRACTS

Mr. Siu Chi Ming, an Executive Director, has entered into a service contract with the Company which shall continue to be effective unless terminated by three months' notice in writing served by either party on the other or payment in lieu. He is entitled to receive a director's fee of HK\$10,000 per month and director salary of HK\$90,000 per month, on a thirteen month basis, which was determined with reference to market terms, qualifications and work experience of him, plus a discretionary year-end bonus to be determined by the Board from time to time.

Mr. Chen Zheng, an Independent Non-executive Director, has entered into a service contract with the Company on 9 July 2019 for a term of one year for an annual fee of HK\$120,000.

Mr. Wang Ning, an Independent Non-executive Director, has entered into a service contract with the Company on 6 June 2019 for a term of one year for an annual fee of HK\$120,000.

Mr. Yuan Qian Fei, an Independent Non-executive Director, has entered into a service contract with the Company on 1 October 2019 for a term of one year for an annual fee of HK\$120,000.

Apart from the foregoing, none of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during or at the end of the year.

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence during the year.

### DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors had any interest in a business which competes or may compete with the businesses of the Group during the year.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 December 2019, none of the Directors and chief executive had or was deemed to have any 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 Division 7 and 8 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.

## DIRECTORS' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in the paragraph headed “**Share Option Scheme**” above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in Note 43 “Related Party Transactions” to the consolidated financial statements, there was no other connected transaction of the Group that need to be disclosed pursuant to Chapter 14A of the Listing Rules.

### CORPORATE GOVERNANCE

The Company is committed to adopt corporate governance practices. The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 11 to 23 of this annual report.

### ENVIRONMENTAL POLICY AND PERFORMANCE

As focused on New Energy Vehicles Business development, environmental conservation is always one of the Group's concerns. Although the Group does not establish a formal environmental policy, various measures have been implemented to encourage in compliance with environmental legislation and promote awareness towards environmental protection to the employees. It implements green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. The Group will review its environmental practices periodically and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses.

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance (“**ESG**”) Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

## DIRECTORS' REPORT

### AUDIT COMMITTEE

The Company has an Audit Committee in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control system and providing advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors of the Company.

The Audit Committee of the Company has reviewed the annual results of the Group for the Year including the accounting principles and practices adopted by the Company.

### AUDITOR

The consolidated financial statements for the year ended 31 December 2019 have been audited by ZHONGHUI ANDA CPA Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company. A resolution will be submitted to the forthcoming AGM of the Company for the re-appointment of ZHONGHUI ANDA CPA Limited as the auditor of the Company.

On Behalf of the Board

**Siu Chi Ming**

*Executive Director*

Hong Kong

21 May 2020

## INDEPENDENT AUDITOR'S REPORT



### TO THE SHAREHOLDERS OF JIU RONG HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

#### QUALIFIED OPINION

We have audited the consolidated financial statements of Jiu Rong Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 39 to 115, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### BASIS FOR QUALIFIED OPINION

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the trade receivables of approximately HK\$177,737,000 as at 31 December 2019. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements. Any adjustment to this figure might have a consequential effect on the consolidated financial performance for the year ended 31 December 2019 and the consolidated financial position as at 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

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

#### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements which mentions that as at 31 December 2019 the Group had net current liabilities of approximately HK\$591,515,000. This condition indicates a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS

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

(i) Investment properties

Refer to Note 19 to the consolidated financial statements.

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of approximately HK\$592,018,000 as at 31 December 2019 and the fair value gain of approximately HK\$46,736,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement for investment properties is supported by the available evidence.

## INDEPENDENT AUDITOR'S REPORT

(ii) Property, plant and equipment

Refer to Note 18 to the consolidated financial statements.

The Group tested the amount of property, plant and equipment for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment of approximately HK\$412,547,000 as at 31 December 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Evaluating the Group's impairment assessment;
- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rate and discount rates); and
- Checking input data to supporting evidence.

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

## INDEPENDENT AUDITOR'S REPORT

(iii) Properties held for sale

Refer to Note 26 to the consolidated financial statements.

The Group tested the amount of properties held for sale for impairment. This impairment test is significant to our audit because the balance of properties held for sale of approximately HK\$202,157,000 as at 31 December 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Evaluating the Group's impairment assessment;
- Assessing the net realisable values of the properties held for sale;
- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence; and
- Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for properties held for sale is supported by the available evidence.

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION

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

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

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

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

### RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

This description forms part of our auditor's report.

#### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Ngan Hing Hon**

*Audit Engagement Director*

Practising Certificate Number P05294

Hong Kong, 21 May 2020

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>REVENUE</b>	10	<b>608,698</b>	543,276
Cost of sales		<b>(501,323)</b>	(420,895)
<b>Gross profit</b>		<b>107,375</b>	122,381
Other income and gains	11	<b>25,960</b>	23,108
Selling and distribution costs		<b>(19,368)</b>	(24,748)
Administrative expenses		<b>(46,204)</b>	(35,165)
Other operating expenses		<b>(2,287)</b>	(5,529)
Equity-settled share option expenses		<b>(27,359)</b>	–
Fair value changes of investment properties		<b>46,736</b>	3,835
Finance costs	12	<b>(34,404)</b>	(15,565)
Share of loss of an associate		<b>(2,524)</b>	(1,046)
<b>PROFIT BEFORE TAX</b>		<b>47,925</b>	67,271
Income tax expense	15	<b>(21,684)</b>	(13,078)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	13	<b>26,241</b>	54,193
<b>Other comprehensive loss for the year, net of tax:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Fair value changes of equity investments at fair value through other comprehensive income		<b>(1,948)</b>	(1,045)
<b>Items that may be reclassified to profit or loss:</b>			
Share of associates' exchange differences on translating foreign operations		<b>(4,092)</b>	(1,683)
Exchange differences on translation of foreign operations		<b>(2,423)</b>	(15,766)
		<b>(6,515)</b>	(17,449)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<b>(8,463)</b>	(18,494)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>17,778</b>	35,699
<b>EARNINGS PER SHARE</b>	16		
– Basic (HK cents)		<b>0.48</b>	0.99
– Diluted (HK cents)		<b>0.48</b>	0.99

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000 (Restated)	1 January 2018 HK\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	18	412,547	344,294	293,880
Investment properties	19	592,018	364,964	74,686
Right-of-use assets	21	6,517	–	–
Investment in an associate	22	157,373	163,989	–
Deferred tax assets	23	119	1,427	4,080
Equity investments at fair value through other comprehensive income	24	35,968	38,651	29,850
Prepayments, deposits and other receivables	28	13,500	–	–
		<b>1,218,042</b>	913,325	402,496
<b>CURRENT ASSETS</b>				
Inventories	25	20,190	5,630	13,504
Properties for sale under development		–	–	583,114
Properties held for sale	26	202,157	361,812	–
Trade and notes receivables	27	408,019	245,530	116,806
Prepayments, deposits and other receivables	28	48,452	106,855	91,017
Investments at fair value through profit or loss	29	20,643	2,496	3,643
Tax recoverable		360	–	–
Pledged bank deposits	30	23,392	135,848	141,251
Cash and cash equivalents	31	109,248	42,627	123,888
		<b>832,461</b>	900,798	1,073,223
<b>CURRENT LIABILITIES</b>				
Trade and notes payables	32	858,950	326,381	125,653
Other payables and accruals	33	26,107	48,573	73,488
Lease liabilities	37	1,685	–	–
Contract liabilities	34	251,362	58,301	2,676
Bank and other loans	35	279,912	804,000	727,652
Deferred government grant	36	5,960	5,543	5,845
Tax payable		–	1,351	876
		<b>1,423,976</b>	1,244,149	936,190
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(591,515)</b>	(343,351)	137,033
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>626,527</b>	569,974	539,529

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000 (Restated)	1 January 2018 HK\$'000 (Restated)
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities	37	4,562	–	–
Deferred government grant	36	36,554	41,722	46,762
Deferred tax liabilities	23	65,423	53,401	53,615
		<b>106,539</b>	95,123	100,377
<b>NET ASSETS</b>				
		<b>519,988</b>	474,851	439,152
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Issued capital	38	547,200	547,200	547,200
Reserves	39	(27,212)	(72,349)	(108,048)
<b>TOTAL EQUITY</b>				
		<b>519,988</b>	474,851	439,152

The consolidated financial statements on pages 39 to 115 were approved and authorised for issue by the board of directors on 21 May 2020 and are signed on its behalf by:

Approved by:

**Siu Chi Ming**  
Director

**Yin Jianwen**  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

	Issued capital HK\$'000	Share premium* HK\$'000	Contributed surplus* HK\$'000	Statutory surplus reserve* HK\$'000	Foreign currency translation reserve* HK\$'000	Equity investment revaluation reserve* HK\$'000	Share- based payment reserve* HK\$'000	Accumulated losses* HK\$'000	Total HK\$'000
At 1 January 2018 (As previously reported)	547,200	179,968	4,990	1,048	(362)	-	-	(295,455)	437,389
Effect of retrospective restatements (note 5)	-	-	-	-	70	-	-	1,693	1,763
At 1 January 2018, as restated	547,200	179,968	4,990	1,048	(292)	-	-	(293,762)	439,152
Total comprehensive (loss)/income for the year	-	-	-	-	(17,449)	(1,045)	-	54,193	35,699
Transfer to statutory surplus reserve	-	-	-	1,645	-	-	-	(1,645)	-
At 31 December 2018, as restated	547,200	179,968	4,990	2,693	(17,741)	(1,045)	-	(241,214)	474,851
At 1 January 2019 (As previously reported)	547,200	179,968	4,990	2,693	(17,420)	(1,045)	-	(253,410)	462,976
Effect of retrospective restatements (note 5)	-	-	-	-	(321)	-	-	12,196	11,875
At 1 January 2019, as restated	547,200	179,968	4,990	2,693	(17,741)	(1,045)	-	(241,214)	474,851
Total comprehensive (loss)/income for the year	-	-	-	-	(6,515)	(1,948)	-	26,241	17,778
Equity-settled share option expenses	-	-	-	-	-	-	27,359	-	27,359
Transfer to statutory surplus reserve	-	-	-	3,183	-	-	-	(3,183)	-
At 31 December 2019	547,200	179,968	4,990	5,876	(24,256)	(2,993)	27,359	(218,156)	519,988

\* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>47,925</b>	67,271
Adjustments for:		
Finance costs	<b>34,404</b>	15,565
Share of loss of an associate	<b>2,524</b>	1,046
Bank interest income	<b>(2,146)</b>	(1,982)
Gain on bargain purchase	–	(2,718)
Loss on disposal of property, plant and equipment	<b>289</b>	2,614
Depreciation of property, plant and equipment	<b>43,722</b>	35,756
Depreciation of right of use assets	<b>1,428</b>	–
Government grant	<b>(5,980)</b>	(6,113)
(Gain)/loss on disposal of investments at fair value through profit or loss	<b>(1,674)</b>	2,283
Fair value loss in investments at fair value through profit or loss	<b>1,139</b>	124
Impairment of trade receivables	<b>471</b>	2,236
Waiver of amount due to former shareholder of an indirect subsidiary	–	(6,693)
Fair value changes of investment properties	<b>(46,736)</b>	(3,835)
Equity-settled share option expenses	<b>27,359</b>	–
Reversal of impairment of inventories	<b>(49)</b>	(740)
	<b>102,676</b>	104,814
Change in inventories	<b>(14,183)</b>	8,614
Change in trade and notes receivables	<b>(155,670)</b>	(130,960)
Change in prepayments, deposits and other receivables	<b>46,134</b>	(15,838)
Change in trade and notes payables	<b>518,350</b>	200,728
Change in contract liabilities	<b>192,257</b>	55,625
Change in other payables and accruals	<b>4,148</b>	(51,917)
Change in properties held for sale	<b>(17,154)</b>	–
Cash generated from operations	<b>676,558</b>	171,066
Income tax paid	<b>(8,263)</b>	(7,396)
<b>Net cash flows generated from operating activities</b>	<b>668,295</b>	163,670

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(119,929)	(114,321)
Purchase of investment properties	(5,055)	(36,539)
Decrease in pledged bank deposits	112,451	5,403
Purchase of equity investments at fair value through other comprehensive income	–	(11,387)
Purchase of investments at fair value through profit or loss	(80,526)	(15,053)
Proceeds from disposal of investments at fair value through profit or loss	63,112	13,273
Interest received	2,146	1,982
Government grant received	2,047	3,378
Net cash outflow arising on acquisition of an associate	(27,107)	(130,305)
<b>Net cash flows used in investing activities</b>	<b>(52,861)</b>	<b>(283,569)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Other loans raised	22,700	364,734
Repayment of other loans	(552,898)	(234,978)
Repayment of bank loans	(143,482)	(202,233)
Bank loans raised	159,707	188,234
Interest on bank and other loans paid	(31,913)	(52,684)
Repayment of lease liabilities	(1,953)	–
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(547,839)</b>	<b>63,073</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>67,595</b>	<b>(56,826)</b>
Cash and cash equivalents at beginning of year	42,627	123,888
Net foreign exchange difference	(974)	(24,435)
<b>Cash and cash equivalents at end of year</b>	<b>109,248</b>	<b>42,627</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	109,248	42,627

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 1. GENERAL INFORMATION

Jiu Rong Holdings Limited (the “**Company**”) is a public limited liabilities company incorporated in the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT., George Town, Grand Cayman, British West Indies. The address of its principal place of business is Flat 8, 49/F., Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 20 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated.

## 2. GOING CONCERN BASIS

As at 31 December 2019, the Group had net current liabilities of approximately HK\$591,515,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Having taken into account (i) the estimated proceeds from the sales of properties in the next twelve months from the end of the financial year; (ii) indication from lenders to postpone the settlement of certain amount of loans due to those lenders to a date after twelve months from the end of the financial year; (iii) the net cash inflow from the New Energy Vehicles Business in the next twelve months from the end of the financial year; and (iv) the estimated proceeds from the placing of shares (if any), the directors are satisfied that the Group will have sufficient working capital for its present requirements. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years except as stated below.

#### HKFRS 16 “Leases”

The impacts of the adoption of HKFRS 16 “Leases” (“**HKFRS 16**”) on the Group’s financial information and the new accounting policies that have been applied from 1 January 2019 are different on those applied in prior periods.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

#### (a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 16 "Leases" (continued)

(a) *Adjustments recognised on adoption of HKFRS 16 (continued)*

As a lessee, the Group's leases are mainly rentals of offices and leasehold lands. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. HKFRS 16 has been applied and resulted in changes in consolidated amounts reported in the consolidated financial statements as follows:

	<b>As at 1 January 2019 HK\$'000</b>
Increase in right-of-use assets	<b>3,958</b>
Increase in lease liabilities	<b>3,958</b>

(b) *The reconciliation of operating lease commitment to lease liabilities is set out below:*

	HK\$'000
Operating lease commitments disclosed as at 31 December 2018	6,043
Less: Recognition exemption – short-terms leases	273
Gross operating lease obligation at 1 January 2019	5,770
Discounting at 12%	(1,812)
Lease liabilities as at 1 January 2019	3,958
Analyses as:	
Current	454
Non-current	3,504
	<b>3,958</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, investments at fair value through profit and loss and equity investments at fair value through other comprehensive income which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 6 to the consolidated financial statements.

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

#### (a) Consolidation

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Associates

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation

(i) *Functional and presentation currency*

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

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

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

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

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

(iii) *Translation on consolidation*

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Medium term leasehold buildings	50 years or over the lease terms, whichever is shorter
Plant and machinery	4 – 15 years
Motor vehicles	6 years
Office equipment	4 – 9 years
Leasehold improvement	4 – 9 years

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 plant and machinery under construction and pending 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.

#### (e) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

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

If a property held for sale becomes an investment property, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in profit or loss.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases

*The Group as lessee*

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

Land and buildings	14%-50%
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

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

*The Group as lessor*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(g) Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

(i) Inventories

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

(j) Recognition and derecognition of financial instruments

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

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

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

(k) Financial assets

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost;
- Equity investments at fair value through other comprehensive income; and
- Investments at fair value through profit or loss.

(i) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

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

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

(ii) *Equity investments at fair value through other comprehensive income*

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

(iii) *Investments at fair value through profit or loss*

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

(l) Loss allowances for expected credit losses

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Cash and cash equivalents

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

(n) Financial liabilities and equity instruments

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

(o) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Trade and other payables

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

(q) Equity instruments

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (r) Revenue from contracts with customers

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

#### (s) Other revenue

- (i) Interest income is recognised on a time-proportion basis using the effective interest method.
- (ii) Rental income is recognised on a straight-line basis over the lease term.

#### (t) Employee benefits

##### (i) *Employee leave entitlements*

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(ii) *Pension obligations*

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

(iii) *Termination benefits*

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

(u) Share-based payments

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

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

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

(v) Borrowing costs

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become 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.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

#### (x) Taxation

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (x) Taxation (continued)

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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

#### (y) Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (aa) Impairment of assets

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ab) Provisions and contingent liabilities

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

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

#### (ac) Events after the reporting period

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

### 5. RETROSPECTIVE RESTATEMENTS

During the course of preparation of the consolidated financial statements of the Group for the year ended 31 December 2019, directors of the Company re-assessed the accounting treatment of the Group's investment properties, and decided to change from cost model to fair value model for measuring its investment properties.

The following tables disclose the restatements that have been made in order to reflect the above retrospective restatements to each of the line items in the consolidated statement of profit or loss and other comprehensive income as previously reported for the year ended 31 December 2018 and consolidated statement of financial position as at 31 December 2018 and 1 January 2018 as previously reported.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 5. RETROSPECTIVE RESTATEMENTS (continued)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	2018 HK\$'000 (As previously reported)	Effect of retrospective restatements HK\$'000	2018 HK\$'000 (As restated)
Revenue	543,276	–	543,276
Cost of sales	(420,895)	–	(420,895)
Gross profit	122,381	–	122,381
Other income and gains	23,108	–	23,108
Selling and distribution costs	(24,748)	–	(24,748)
Administrative expenses	(45,334)	10,169	(35,165)
Other operating expenses	(5,529)	–	(5,529)
Fair value changes of investment properties	–	3,835	3,835
Finance costs	(15,565)	–	(15,565)
Share of loss of an associate	(1,046)	–	(1,046)
Profit before tax	53,267	14,004	67,271
Income tax expense	(9,577)	(3,501)	(13,078)
Profit for the year attributable to owners of the company	43,690	10,503	54,193
<b>Other comprehensive loss for the year, net of tax</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Fair value changes of equity investment at fair value through other comprehensive income	(1,045)	–	(1,045)
<b>Items that may be reclassified to profit or loss:</b>			
Share of associates exchange differences on translating foreign operations	(1,683)	–	(1,683)
Exchange differences on translation of foreign operations	(15,375)	(391)	(15,766)
<b>Other comprehensive loss for the year, net of tax</b>	(18,103)	(391)	(18,494)
<b>Total comprehensive income for the year attributable to owners of the company</b>	25,587	10,112	35,699
<b>Earnings per share</b>			
– Basic (HK cents)	0.80	0.19	0.99
– Diluted (HK cents)	0.80	0.19	0.99

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 5. RETROSPECTIVE RESTATEMENTS (continued)

Consolidated statement of financial position as at 31 December 2018

	As at 31 December 2018 HK\$'000 (As previously reported)	Effect of retrospective restatements HK\$'000	As at 31 December 2018 HK\$'000 (As restated)
<b>Non-current assets</b>			
Property, plant and equipment	344,294	–	344,294
Investment properties	349,187	15,777	364,964
Investment in an associate	163,989	–	163,989
Deferred tax assets	1,427	–	1,427
Equity investments at fair value through other comprehensive income	38,651	–	38,651
	897,548	15,777	913,325
<b>Current assets</b>			
Inventories	5,630	–	5,630
Properties held for sale	361,812	–	361,812
Trade and notes receivables	245,530	–	245,530
Prepayments, deposits and other receivables	106,855	–	106,855
Investments at fair value through profit and loss	2,496	–	2,496
Pledged bank deposit	135,848	–	135,848
Cash and cash equivalents	42,627	–	42,627
	900,798	–	900,798

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 5. RETROSPECTIVE RESTATEMENTS (continued)

Consolidated statement of financial position as at 31 December 2018 (continued)

	As at 31 December 2018 HK\$'000 (As previously reported)	Effect of retrospective restatements HK\$'000	As at 31 December 2018 HK\$'000 (As restated)
<b>Current liabilities</b>			
Trade and notes payables	326,381	–	326,381
Other payables and accruals	48,573	–	48,573
Contract liabilities	58,301	–	58,301
Bank and other loans	804,000	–	804,000
Deferred government grants	5,543	–	5,543
Tax payable	1,351	–	1,351
	1,244,149	–	1,244,149
<b>Net current liabilities</b>	(343,351)	–	(343,351)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	554,197	15,777	569,974
<b>Non-current liabilities</b>			
Deferred government grants	41,722	–	41,722
Deferred tax liabilities	49,499	3,902	53,401
	91,221	3,902	95,123
<b>NET ASSETS</b>	462,976	11,875	474,851
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	547,200	–	547,200
Reserves	(84,224)	11,875	(72,349)
<b>TOTAL EQUITY</b>	462,976	11,875	474,851

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 5. RETROSPECTIVE RESTATEMENTS (continued)

Consolidated statement of financial position as at 1 January 2018

	As at 1 January 2018 HK\$'000 (As previously reported)	Effect of retrospective restatements HK\$'000	As at 1 January 2018 HK\$'000 (As restated)
<b>Non-current assets</b>			
Property, plant and equipment	293,880	–	293,880
Investment properties	72,352	2,334	74,686
Deferred tax assets	4,080	–	4,080
Equity investments at fair value through other comprehensive income	29,850	–	29,850
	400,162	2,334	402,496
<b>Current assets</b>			
Inventories	13,504	–	13,504
Properties for sale under development	583,114	–	583,114
Trade and notes receivables	116,806	–	116,806
Prepayments, deposits and other receivables	91,017	–	91,017
Investments at fair value through profit and loss	3,643	–	3,643
Pledged bank deposit	141,251	–	141,251
Cash and cash equivalents	123,888	–	123,888
	1,073,223	–	1,073,223

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 5. RETROSPECTIVE RESTATEMENTS (continued)

Consolidated statement of financial position as at 1 January 2018 (continued)

	As at 1 January 2018 HK\$'000 (As previously reported)	Effect of retrospective restatements HK\$'000	As at 1 January 2018 HK\$'000 (As restated)
<b>Current liabilities</b>			
Trade and notes payables	125,653	–	125,653
Other payables and accruals	73,488	–	73,488
Contract liabilities	2,676	–	2,676
Bank and other loans	727,652	–	727,652
Deferred government grants	5,845	–	5,845
Tax payable	876	–	876
	936,190	–	936,190
<b>Net current assets</b>	137,033	–	137,033
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	537,195	2,334	539,529
<b>Non-current liabilities</b>			
Deferred government grants	46,762	–	46,762
Deferred tax liabilities	53,044	571	53,615
	99,806	571	100,377
<b>NET ASSETS</b>	437,389	1,763	439,152
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	547,200	–	547,200
Reserves	(109,811)	1,763	(108,048)
<b>TOTAL EQUITY</b>	437,389	1,763	439,152

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) *Going concern basis*

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the (i) the estimated proceeds from the sales of properties in the next twelve months from the end of the financial year; (ii) indication from lenders to postpone the settlement of certain amount of loans due to those lenders to a date after twelve months from the end of the financial year; (iii) the net cash inflow from the New Energy Vehicles Business in the next twelve months from the end of the financial year; and (iv) the estimated proceeds from the placing of shares (if any) at a level of sufficient to finance the working capital requirements of the Company. Details are explained in note 2 to consolidated financial statements.

(b) *Deferred tax for investment properties*

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

Key sources of estimation uncertainty

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

(a) *Fair value of investment property*

The Group appointed an independent professional valuer to assess the fair value of the investment property. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(b) *Impairment of property, plant and equipment*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(c) *Impairment of properties held for sale*

Properties held for sale are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise.

(d) *Impairment of trade and notes receivables*

Impairment of trade and notes receivables is made based on an assessment of the recoverability of trade and notes receivables. The assessment of impairment of receivables involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of trade and notes receivables and thus the impairment loss in the period in which such estimate is changed.

(e) *Impairment of investment in an associate*

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

(f) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 7. 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 shareholders through the optimisation of the debt and equity balance.

During the reporting period, the capital structure of the Group consist of debt which includes interest-bearing loans and equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged from prior periods.

### 8. FINANCIAL RISK MANAGEMENT

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

#### (a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

#### (b) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits and bank borrowings as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's consolidated profit or loss for the years ended 31 December 2019 and 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 8. FINANCIAL RISK MANAGEMENT (continued)

#### (c) Credit risk

The carrying amount of the cash and bank balances, investments and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to director's approval. Receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant.

At the end of the reporting period, the Group had a certain concentration of credit risk as 42% (2018: 29%) of the total trade receivables was due from the Group's five largest customers. Details of the credit quality of the trade receivables were set out in Note 27 to the consolidated financial statements.

Cash and bank balances are deposits at banks with sound credit ratings. Given their high credit ratings, the Group does not expect to have any associated credit risk.

The credit risk on investments is limited because the counterparty is a well-established securities broker firm in PRC.

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

- internal credit rating;
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 8. FINANCIAL RISK MANAGEMENT (continued)

#### (c) Credit risk (continued)

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

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

The Group's loan receivable is considered to have low risk and under the "Performing" category because the debtor has a low risk of default and has strong abilities to meet his obligations.

#### (d) Liquidity risk

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

The maturity profile of the Company's financial liabilities as at the end of reporting period, based on the contracted undiscounted payments, was as follows:

#### 2019

	On demand/ less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
Trade and notes payables	858,950	-	-	-	858,950	858,950
Financial liabilities included in other payables and accruals	19,694	-	-	-	19,694	19,694
Lease liabilities	2,114	2,153	4,366	1,122	9,755	6,247
Bank and other loans	224,294	21,131	42,261	-	287,686	279,912
	1,105,052	23,284	46,627	1,122	1,176,085	1,164,803

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 8. FINANCIAL RISK MANAGEMENT (continued)

#### (d) Liquidity risk (continued)

2018

	On demand/ less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
Trade and notes payables	326,381	-	-	-	326,381	326,381
Financial liabilities included in other payables and accruals	47,499	-	-	-	47,499	47,499
Bank and other loans	791,474	15,064	45,192	-	851,730	804,000
	1,165,354	15,064	45,192	-	1,225,610	1,177,880

#### (e) Price risk

The Group's equity investments at fair value through other comprehensive income and Investments at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2019, if the share prices of the equity investments at fair value through other comprehensive income increase/decrease by 10%, the equity investment revaluation reserve would have been approximately HK\$2,508,000 (2018: HK\$2,756,000) higher/lower, arising as a result of the fair value gain/loss of the investments.

At 31 December 2019, if the share prices of the investments at fair value through profit and loss increase/decrease by 10%, the profit for the year would have been approximately HK\$2,064,000 (2018: HK\$250,000) higher/lower, arising as a result of the fair value gain/loss of the investments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 8. FINANCIAL RISK MANAGEMENT (continued)

(f) Categories of financial instruments

	<b>At 31 December</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>Financial assets:</b>		
Financial assets at amortised cost (including cash and cash equivalents)	<b>548,741</b>	473,461
Investments at fair value through profit or loss: Mandatorily measured	<b>20,643</b>	2,496
Equity investments at fair value through other comprehensive income	<b>35,968</b>	38,651
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<b>1,158,556</b>	1,177,880

(g) Fair value

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

### 9. FAIR VALUE MEASUREMENTS

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 9. FAIR VALUE MEASUREMENTS (continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2019:

Description	Fair value measurements using:			Total 2019 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements:</b>				
Investment properties	–	592,018	–	592,018
Investments at fair value through profit or loss				
Listed securities outside Hong Kong	20,643	–	–	20,643
Equity investments at fair value through other comprehensive income				
Listed securities outside Hong Kong	25,080	–	–	25,080
<b>Total recurring fair value measurements</b>	<b>45,723</b>	<b>592,018</b>	<b>–</b>	<b>637,741</b>

Disclosures of level in fair value hierarchy at 31 December 2018 (Restated):

Description	Fair value measurements using:			Total 2018 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements:</b>				
Investment properties	–	364,964	–	364,964
Investments at fair value through profit or loss				
Listed securities outside Hong Kong	2,496	–	–	2,496
Equity investments at fair value through other comprehensive income				
Listed securities outside Hong Kong	27,557	–	–	27,557
<b>Total recurring fair value measurements</b>	<b>30,053</b>	<b>364,964</b>	<b>–</b>	<b>395,017</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 9. FAIR VALUE MEASUREMENTS (continued)

- (b) Disclosures of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Directors are responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The accountant reports to the Board of Directors for these fair value measurements.

The Group engages external valuation experts with the recognised professional qualifications and recent experience to perform the valuations at the end of each reporting period.

#### *Level 2 fair value measurements*

Description	Valuation technique	Inputs	Fair value	Fair value
			2019	2018
			HK\$'000	HK\$'000
Investment property				
Commercial investment property – PRC	Income capitalization approach	Rental income per square metre	<b>592,018</b>	364,964

### 10. REVENUE AND OPERATING SEGMENT INFORMATION

- (a) Reportable segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has five (2018: five) reportable segments. The segments are managed separately as each business segment offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- (i) Digital Video Business: manufacturing and sales of digital television ("TV"), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry.
- (ii) New Energy Vehicles Business: construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems and processing services in relation to new energy vehicles spare parts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 10. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

(iii) Cloud Ecological Big Data Business: application and management of cloud ecological big data industry.

(iv) Properties Development: properties development of an industrial park.

(v) Properties Investment: properties investment for rental income in an industrial park.

The revenue is analysed as follows:

<b>Revenue</b>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Sale of digital video products	<b>355,363</b>	256,988
Provision of new energy vehicles charging services income	<b>180,175</b>	271,205
Processing income related to new energy vehicle spares parts	<b>12,434</b>	–
Provision of big data services income	<b>25,169</b>	4,956
Sale of construction materials	<b>19,355</b>	–
Revenue from contracts with customers	<b>592,496</b>	533,149
Rental income	<b>16,202</b>	10,127
<b>Total revenue</b>	<b>608,698</b>	543,276

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

(i) *Business segments*

	For the year ended 31 December 2019					
	Digital Video Business HK\$'000	New Energy Vehicles Business HK\$'000	Cloud Ecological Big Data Business HK\$'000	Properties Development HK\$'000	Properties Investment HK\$'000	Total HK\$'000
Reportable segment revenue:						
Revenue from external customers	355,363	192,609	25,169	19,355	16,202	608,698
Reportable segment profit/(loss)	(3,141)	33,507	5,996	288	40,057	76,707
Depreciation of property, plant and equipment	(181)	(43,467)	(51)	-	(17)	(43,716)
Government grants	-	7,073	-	-	-	7,073
Gain on disposal of investments at fair value through profit or loss	-	-	1,674	-	-	1,674
Fair value loss on investments at fair value through profit or loss	-	(1,139)	-	-	-	(1,139)
Income tax expense	(2,427)	(4,552)	(876)	-	(13,749)	(21,604)
Share of loss of an associate	-	-	-	(2,524)	-	(2,524)
Gain on fair value changes of investment properties	-	-	-	-	46,736	46,736
Additions to property, plant and equipment	69	105,096	5	-	14,759	119,929
	At 31 December 2019					
	Digital Video Business HK\$'000	New Energy Vehicles Business HK\$'000	Cloud Ecological Big Data Business HK\$'000	Properties Development HK\$'000	Properties Investment HK\$'000	Total HK\$'000
Reportable segment assets	401,727	554,072	61,981	202,157	622,057	1,841,994
Reportable segment liabilities	(512,664)	(827,194)	(18,670)	(62,758)	(105,583)	(1,526,869)
Investment in an associate	-	-	-	157,373	-	157,373

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

(i) *Business segments* (continued)

	For the year ended 31 December 2018 (Restated)					
	Digital Video Business HK\$'000	New Energy Vehicles Business HK\$'000	Cloud Ecological Big Data Business HK\$'000	Properties Development HK\$'000	Properties Investment HK\$'000	Total HK\$'000
Reportable segment revenue:						
Revenue from external customers	256,988	271,205	4,956	-	10,127	543,276
Reportable segment profit	6,335	42,896	2,025	-	21,010	72,266
Depreciation of property, plant and equipment	(283)	(32,811)	(41)	-	(1)	(33,136)
Government grants	-	6,113	-	-	-	6,113
Loss on disposal of investments at fair value through profit or loss	(155)	(2,128)	-	-	-	(2,283)
Fair value loss on investments at fair value through profit or loss	(13)	(111)	-	-	-	(124)
Income tax expense	(2,475)	(5,913)	(475)	-	(3,501)	(12,364)
Reversal of impairment of inventories	740	-	-	-	-	740
Share of loss of an associate	-	-	-	(1,046)	-	(1,046)
Gain on fair value changes of investment properties	-	-	-	-	3,835	3,835
Additions to property, plant and equipment	130	111,504	119	-	40	111,793

	At 31 December 2018 (Restated)					
	Digital Video Business HK\$'000	New Energy Vehicles Business HK\$'000	Cloud Ecological Big Data Business HK\$'000	Properties Development HK\$'000	Properties Investment HK\$'000	Total HK\$'000
Reportable segment assets	193,905	556,970	4,502	361,812	372,863	1,490,052
Reportable segment liabilities	(147,960)	(500,589)	(18,110)	(299,374)	(291,196)	(1,257,229)
Investment in an associate	-	-	-	163,989	-	163,989

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 10. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

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

<b>Year ended 31 December</b>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000 (Restated)
<b>Revenue</b>		
Total revenue of reportable segments	<b>608,698</b>	543,276
Other revenue	–	–
<b>Consolidated revenue</b>	<b>608,698</b>	543,276
<b>Profit or loss</b>		
Total profit of reportable segments	<b>76,707</b>	72,266
Unallocated corporate (expenses)/income (net)	<b>(28,782)</b>	(4,995)
<b>Consolidated profit before tax</b>	<b>47,925</b>	67,271
<b>At 31 December</b>		
<b>Assets</b>		
Total assets of reportable segments	<b>1,999,367</b>	1,654,041
Unallocated amounts:		
Cash and cash equivalents	<b>7,850</b>	3,646
Pledged bank deposits	<b>23,392</b>	134,390
Other unallocated corporate assets	<b>19,894</b>	22,046
<b>Consolidated total assets</b>	<b>2,050,503</b>	1,814,123
<b>Liabilities</b>		
Total liabilities of reportable segments	<b>(1,526,869)</b>	(1,257,229)
Unallocated tax payable	<b>(3,646)</b>	(82,043)
<b>Consolidated total liabilities</b>	<b>(1,530,515)</b>	(1,339,272)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 10. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

The Group is domiciled in the PRC. The following tables provide an analysis of the Group's revenue from external customers and non-current assets including property, plant and equipment and investment properties ("**Non-current assets**").

	Revenue from external customers	
	2019 HK\$'000	2018 HK\$'000 (Restated)
PRC	324,672	356,654
Hong Kong	240,215	58,002
Cuba	43,811	128,620
Total	608,698	543,276

	Non-current assets	
	2019 HK\$'000	2018 HK\$'000 (Restated)
PRC	1,004,527	709,231
Hong Kong	38	27
Total	1,004,565	709,258

(c) Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

	Segment	Note	2019 HK\$'000	2018 HK\$'000
Customer A	New Energy Vehicles Business		150,415	146,203
Customer B	Digital Video Business		138,052	58,002
Customer C	New Energy Vehicles Business	(i)	N/A	55,988

Notes:

- (i) Revenue from these customers did not exceed 10% of total revenue in 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

(d) Disaggregation of revenue from contracts with customers

Segments	2019				Total HK\$'000
	Digital Video Business HK\$'000	New Energy Vehicles Business HK\$'000	Cloud Ecological Big Data Business HK\$'000	Properties Development HK\$'000	
<u>Geographical markets</u>					
PRC	71,337	192,609	25,169	19,355	308,470
Hong Kong	240,215	-	-	-	240,215
Cuba	43,811	-	-	-	43,811
<b>Total</b>	<b>355,363</b>	<b>192,609</b>	<b>25,169</b>	<b>19,355</b>	<b>592,496</b>
<u>Major products/service</u>					
Sale of digital video products	355,363	-	-	-	355,363
Provision of new energy vehicles charging services income	-	180,175	-	-	180,175
Processing income related to new energy vehicle spare parts	-	12,434	-	-	12,434
Provision of big data services income	-	-	25,169	-	25,169
Sale of construction materials	-	-	-	19,355	19,355
<b>Total</b>	<b>355,363</b>	<b>192,609</b>	<b>25,169</b>	<b>19,355</b>	<b>592,496</b>
<u>Timing of revenue recognition</u>					
At a point in time	355,363	192,609	25,169	19,355	592,496
Over time	-	-	-	-	-
<b>Total</b>	<b>355,363</b>	<b>192,609</b>	<b>25,169</b>	<b>19,355</b>	<b>592,496</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 10. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

(d) Disaggregation of revenue from contracts with customers (continued)

Segments	2018				Total HK\$'000
	Digital Video Business HK\$'000	New Energy Vehicles Business HK\$'000	Cloud Ecological Big Data Business HK\$'000	Properties Development HK\$'000	
<u>Geographical markets</u>					
PRC	70,366	271,205	4,956	-	346,527
Hong Kong	58,002	-	-	-	58,002
Cuba	128,620	-	-	-	128,620
<b>Total</b>	<b>256,988</b>	<b>271,205</b>	<b>4,956</b>	<b>-</b>	<b>533,149</b>
<u>Major products/service</u>					
Sale of digital video products	256,988	-	-	-	256,988
Provision of new energy vehicles charging services income	-	271,205	-	-	271,205
Provision of big data services income	-	-	4,956	-	4,956
<b>Total</b>	<b>256,988</b>	<b>271,205</b>	<b>4,956</b>	<b>-</b>	<b>533,149</b>
<u>Timing of revenue recognition</u>					
At a point in time	256,988	271,205	4,956	-	533,149
Over time	-	-	-	-	-
<b>Total</b>	<b>256,988</b>	<b>271,205</b>	<b>4,956</b>	<b>-</b>	<b>533,149</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 10. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

- (d) Disaggregation of revenue from contracts with customers (continued)

#### *Digital Video Business*

The Group manufactures and sells TV, high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of telecommunication, TV and internet in the digital audio visual industry. 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.

Sales to customers are normally made with credit terms of 30 to 360 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

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.

#### *New Energy Vehicles Business*

The Group provides construction, application and management of new energy vehicles and related products, charging facilities, intelligent management systems and processing services in relation to new energy vehicles spare parts. The New Energy Vehicles charging services income and processing services income are recognised when the services are rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service. The charging services incomes are normally made with credit terms of payment on demand.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 10. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

(d) Disaggregation of revenue from contracts with customers (continued)

#### *Cloud Ecological Big Data Business*

The Group provides application and management of cloud ecological big data services to customers. The income is recognised when the service is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

#### *Properties Development*

The Group develops and sells properties to the customers. Sales of a contract are recognised when control of the property has transferred, being when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. Sale of construction materials are recognised when control of the products has transferred.

### 11. OTHER INCOME AND GAINS

	2019 HK\$'000	2018 HK\$'000
Bank interest income	2,146	1,982
Gain on disposal of investments at fair value through profit or loss	1,674	–
Gain on bargain purchase	–	2,718
Compensation income	4,763	–
Loan interest income from third parties	4,741	3,488
Government grants	7,073	6,113
Reversal of impairment of inventories	49	740
Sales of raw materials	–	1,160
Waiver of amount due to former shareholder of an indirect subsidiary	–	6,693
Exchange differences	1,679	–
Others	3,835	214
	<b>25,960</b>	<b>23,108</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 12. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest expenses on borrowings:		
– Interest expenses on bank loans	13,109	10,665
– Interest on loans from third parties	21,044	55,652
– Interest on lease liabilities	251	–
Total borrowing cost	34,404	66,317
Amount capitalised	–	(50,752)
	<b>34,404</b>	15,565

### 13. PROFIT FOR THE YEAR

The Group's profit for the year is arrived at after charging/(crediting):

	2019 HK\$'000	2018 HK\$'000 (Restated)
Cost of inventories sold	501,323	420,895
Staff costs (including directors' remuneration):		
Wages and salaries	32,565	31,163
Pension scheme contributions		
– Defined contribution scheme	8,819	6,647
Other staff benefits	4,788	4,280
Equity-settled share-based payments	27,359	–
	<b>73,531</b>	42,090
Auditors' remuneration	1,300	760
Depreciation of property, plant and equipment	43,722	35,756
Depreciation of right of use assets	1,428	–
Minimum lease payments under operating lease in respect of		
– Land and buildings	–	2,379
Expenses related to short-term leases	535	–
Exchange losses, net	–	703
(Gain)/loss on disposal of investments at fair value through profit or loss	(1,674)	2,283
Fair value loss on investments at fair value through profit or loss	1,139	124
Impairment of trade receivables	471	2,236
Reversal of impairment of inventories	(49)	(740)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

(a) Directors' and senior management's emoluments

For the year ended 31 December 2019					
	Notes	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to retirement scheme HK\$'000	Total emoluments HK\$'000
Executive directors:					
Mr. Siu Chi Ming		130	1,170	18	1,318
Ms. Wang Liping	(i)	-	241	-	241
Mr. Yin Jianwen		-	-	-	-
Independent non-executive directors:					
Mr. Wu Yinong	(iii)	35	-	-	35
Mr. Yuan Qian Fei		120	-	-	120
Mr. Wang Ning		120	-	-	120
Mr. Chen Zheng	(ii)	57	-	-	57
		<b>462</b>	<b>1,411</b>	<b>18</b>	<b>1,891</b>
For the year ended 31 December 2018					
	Notes	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to retirement scheme HK\$'000	Total emoluments HK\$'000
Executive directors:					
Mr. Siu Chi Ming		130	1,170	18	1,318
Ms. Wang Liping	(i)	-	420	-	420
Mr. Yin Jianwen		-	-	-	-
Independent non-executive directors:					
Mr. Wu Yinong	(iii)	120	-	-	120
Mr. Yuan Qian Fei		120	-	-	120
Mr. Wang Ning		120	-	-	120
		<b>490</b>	<b>1,590</b>	<b>18</b>	<b>2,098</b>

Notes:

- (i) Resigned on 9 July 2019
- (ii) Appointed on 9 July 2019
- (iii) Resigned on 17 April 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (continued)

(b) Five highest paid individual emoluments

One (2018: two) of the five highest paid individuals of the Group were the directors whose emolument is set out in the above. For the year ended 31 December 2019, the remaining four (2018: three) employees' emoluments of the Company were as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and other benefits in kind	1,609	1,283
Contributions to pension scheme	425	23
	<b>2,034</b>	1,306

Their emoluments fell within the following bands:

	Number of employees	
	2019	2018
Emolument band:		
Nil – HK\$1,000,000	4	3
	<b>4</b>	3

(c) No emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 December 2019 and 2018.

### 15. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at a rate of 16.5% (2018:16.5%) on the estimated assessable profit for the year ended 31 December 2019.

PRC corporate income tax is calculated at a standard rate of 25% (2018: 25%) except for Soyea Jiu Rong Technology Co., Limited ("**Soyea Jiu Rong**") and Jiu Rong New Energy Science and Technology Limited ("**Jiu Rong New Energy**") on the estimated assessable profits arising from its operation in the PRC. For the year ended 31 December 2019, Soyea Jiu Rong and Jiu Rong New Energy have obtained the new high-tech enterprise certificate and entitled for a preferential tax rate of 15% (2018: 15%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 15. INCOME TAX EXPENSE (continued)

The amount of income tax expense includes in profit or loss represents:

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000 (Restated)
Current tax – Hong Kong Profits Tax		
– Provision charge for the year	<b>143</b>	714
	<b>143</b>	714
Current – the PRC		
– Charge for the year	<b>6,409</b>	7,157
Deferred tax	<b>15,132</b>	5,207
	<b>21,684</b>	13,078

The income tax expense for the year can be reconciled to the profit for the year multiplied by applicable tax rate as follows:

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000 (Restated)
Profit before tax	<b>47,925</b>	67,271
Tax calculated at the domestic tax rate of 16.5% (2018: 16.5%)	<b>7,907</b>	11,100
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>3,296</b>	529
Tax effect of revenue not taxable for tax purposes	<b>(3,865)</b>	(2,413)
Tax effect of expenses not deductible for tax purposes	<b>8,617</b>	2,071
Tax effect of tax losses not recognised	<b>5,729</b>	2,228
Tax effect of utilisation of tax losses not previously recognised	–	(437)
Income tax expense	<b>21,684</b>	13,078

At 31 December 2019, the Group has unused tax losses of approximately HK\$112,708,000 (2018: HK\$95,550,000) available for offset against future profits. The said unrecognised tax losses may be carried forward for five years or indefinitely depends on the respective tax jurisdictions. In year 2019, no tax assets has been recognised in respect of the unused tax loss of approximately HK\$111,987,000 (2018: HK\$87,177,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 16. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$26,241,000 (2018 (restated): HK\$54,193,000) and the weighted average number of approximately 5,472,000,000 (2018: 5,472,000,000) ordinary shares in issue during the year.

Diluted earnings per share

The effect of the Company's outstanding share options for the year ended 31 December 2019 did not give rise to any dilution effect to the earnings per share.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2018.

### 17. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2019 and 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 18. PROPERTY, PLANT AND EQUIPMENT

	Properties HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>As at 31 December 2019</b>						
<b>COST:</b>						
At 1 January 2019	-	365,251	586	2,267	36,365	404,469
Additions	-	4,965	-	126	114,838	119,929
Disposal	-	(2,468)	-	-	-	(2,468)
Transfer	-	136,394	-	-	(136,394)	-
Exchange realignment	-	(8,997)	(11)	(42)	(351)	(9,401)
At 31 December 2019	-	495,145	575	2,351	14,458	512,529
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT:</b>						
At 1 January 2019	-	58,619	339	1,217	-	60,175
Provided during the year	-	43,311	84	327	-	43,722
Disposal	-	(2,179)	-	-	-	(2,179)
Exchange realignment	-	(1,701)	(8)	(27)	-	(1,736)
At 31 December 2019	-	98,050	415	1,517	-	99,982
<b>CARRYING AMOUNT:</b>						
At 31 December 2019	-	397,095	160	834	14,458	412,547

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 18. PROPERTY, PLANT AND EQUIPMENT (continued)

	Properties HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>As at 31 December 2018</b>						
<b>COST:</b>						
At 1 January 2018	5,952	311,331	607	2,013	1,828	321,731
Additions	1,912	526	10	369	111,504	114,321
Disposal	–	(2,960)	–	–	–	(2,960)
Transfer to investment properties	(7,793)	–	–	–	–	(7,793)
Transfer	–	72,091	–	–	(72,091)	–
Exchange realignment	(71)	(15,737)	(31)	(115)	(4,876)	(20,830)
At 31 December 2018	–	365,251	586	2,267	36,365	404,469
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT:</b>						
At 1 January 2018	4	26,722	261	864	–	27,851
Provided during the year	93	35,155	96	412	–	35,756
Disposal	–	(346)	–	–	–	(346)
Transfer to investment properties	(97)	–	–	–	–	(97)
Exchange realignment	–	(2,912)	(18)	(59)	–	(2,989)
At 31 December 2018	–	58,619	339	1,217	–	60,175
<b>CARRYING AMOUNT:</b>						
At 31 December 2018	–	306,632	247	1,050	36,365	344,294

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 19. INVESTMENT PROPERTIES

	2019 HK\$'000	2018 HK\$'000 (Restated)
At 1 January	<b>364,964</b>	74,686
Additions	<b>5,055</b>	36,539
Transfer from property, plant and equipment	–	7,793
Transfer from properties held for sale	<b>180,805</b>	–
Transfer from properties for sale under development	–	258,421
Fair value gain on investment properties	<b>46,736</b>	3,835
Exchange realignment	<b>(5,542)</b>	(16,310)
At 31 December	<b>592,018</b>	364,964

The fair values of investment properties were valued by Cushman & Wakefield International Property Advisers, an independent qualified professional of valuer.

### 20. SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out below:

Company name	Place of incorporation/ registration	Nominal value of issued and paid-up share/ registered paid-up capital	Percentage of equity interests attributable to the Company	Principal activities
<u>Directly held:</u>				
Ace Earn Limited	Hong Kong	HK\$1	100%	Trading of electronic application and related parts
Business Treasure Limited	BVI	US\$1	100%	Investment holding
China Big Data Cloud Computing Limited	Hong Kong	HK\$1	100%	Investment holding
China New Energy Investments Limited	Hong Kong	HK\$1	100%	Manufacturing and sales of green energy products

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 20. SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration	Nominal value of issued and paid-up share/ registered paid-up capital	Percentage of equity interests attributable to the Company	Principal activities
<u>Indirectly held:</u>				
Soyea Jiu Rong <sup>1</sup>	the PRC	RMB90,000,000	100%	Digital Video Business
Jiu Rong New Energy Science and Technology Limited* <sup>1</sup> ("Jiu Rong New Energy")	the PRC	US\$10,000,000	100%	New Energy Vehicles Business
Hangzhou Yunqi Cloud Data Limited* <sup>2</sup> ("Yunqi Cloud Data")	the PRC	RMB100,000,000	100%	Cloud Ecological Big Data Business
Hangzhou Lu Yun Property Limited* <sup>2</sup> ("Lu Yun")	the PRC	RMB100,000,000 <sup>3</sup>	100%	Properties Development and Properties Investment
Zhe Jiang Jiu Rong Shou Dian Limited * <sup>2</sup> ("Zhe Jiang Jiu Rong Shou Dian")	the PRC	RMB30,000,000 <sup>3</sup>	100%	New Energy Vehicles Business

\* The English names are for identification only.

Notes:

- (1) The subsidiaries are wholly foreign-owned enterprises incorporated in the PRC.
- (2) The subsidiaries are sino-foreign equity joint ventures incorporated in the PRC.
- (3) The registered capital of Lu Yun is RMB100,000,000 of which RMB30,000,000 has been paid as at 31 December 2019 and 2018. The registered capital of Zhe Jiang Jiu Rong Shou Dian is RMB30,000,000 of which none has been paid as at 31 December 2019 and 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 21. RIGHT-OF-USE ASSETS

	<b>2019</b>
	<b>HK\$'000</b>
At 31 December:	
Right-of-use assets	<b>6,517</b>
<p>The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:</p>	
– Less than 1 year	<b>2,114</b>
– Between 1 and 2 years	<b>2,153</b>
– Between 2 and 5 years	<b>4,366</b>
– Over 5 years	<b>1,122</b>
	<b>9,755</b>
Year ended 31 December:	
Depreciation charge of right-of-use assets	<b>1,428</b>
Lease interests	<b>251</b>
Expenses related to short-term leases	<b>535</b>
Total cash outflow for leases	<b>2,488</b>
Additions to right-of-use assets	<b>3,966</b>

The Group leases various land and buildings, and lease agreements are typically made for fixed periods of 2 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 22. INVESTMENT IN AN ASSOCIATE

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000 (Restated)
Unlisted investments		
Share of net assets	<b>157,373</b>	163,989
	<b>157,373</b>	163,989
Impairment losses	–	–
	<b>157,373</b>	163,989

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

<b>Company name</b>	<b>Place of incorporation/ registration</b>	<b>Registered/ Paid up share capital</b>	<b>Percentage of equity interests attributable to the Company</b>	<b>Principal activities</b>
Heilongjiang Xin Luzhou Real Estate Development Limited* ("Heilongjiang Xin Luzhou")	the PRC	RMB155,000,000	46%	Properties Development

\* The English name is for identification only.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 22. INVESTMENT IN AN ASSOCIATE (continued)

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

<b>Name</b>	<b>Heilongjiang Xin Luzhou</b>	
Principal place of business/country of incorporation		PRC/PRC
Principal activities		Properties Development
% of ownership interests/voting rights held by the Group		46%/46%
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>At 31 December:</b>		
Non-current assets	<b>1,196</b>	–
Current assets	<b>593,950</b>	461,377
Current liabilities	<b>(253,031)</b>	(104,880)
Net assets	<b>342,115</b>	356,497
Group's share of net assets	<b>157,373</b>	163,989
Goodwill	–	–
Group's share of carrying amount of interests	<b>157,373</b>	163,989
<b>Year ended 31 December:</b>		
Revenue	<b>230</b>	3,977
Loss from continuing operations	<b>(5,487)</b>	(2,273)
Other comprehensive loss	<b>(8,896)</b>	(3,659)
Total comprehensive loss	<b>(14,383)</b>	(5,932)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 23. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax assets are as follows:

	<b>Tax losses 2019 HK\$'000</b>	2018 HK\$'000
At beginning of the reporting period	<b>1,427</b>	4,080
(Charge)/credit to profit or loss	<b>(1,383)</b>	(2,546)
Exchange realignment	<b>75</b>	(107)
At end of the reporting period	<b>119</b>	1,427

The movements in deferred tax liabilities are as follows:

	<b>Accelerated tax depreciation HK\$'000</b>	<b>Fair value changes on investment properties HK\$'000</b>	<b>Fair value adjustment arising from business combination HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2018	–	571	53,044	53,615
Charge (credit) to profit or loss	2,542	959	(840)	2,661
Exchange realignment	(102)	(68)	(2,705)	(2,875)
At 31 December 2018 and 1 January 2019	2,440	1,462	49,499	53,401
Charge (credit) to profit or loss	2,065	11,684	–	13,749
Exchange realignment	(76)	(734)	(917)	(1,727)
At 31 December 2019	4,429	12,412	48,582	65,423

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK\$'000	2018 HK\$'000
Equity securities, at fair value		
Listed outside Hong Kong	25,080	27,557
Unlisted (note)	10,888	11,094
	<b>35,968</b>	38,651
Analysed as:		
Non-current assets	<b>35,968</b>	38,651

Note: During the year, the Group invested RMB10,000,000 for 20% interest in an investment fund (the "Fund") which is managed by a fund manager (the "Fund Manager") and the Fund invested in several PRC incorporated companies (the "PRC Companies"). The cost of the Fund approximated its fair value as at 31 December 2019 since there is insufficient more recent information available to measure fair value.

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

### 25. INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Raw materials	8,490	4,086
Work in progress	9,356	1,081
Finished goods	2,344	463
	<b>20,190</b>	5,630

### 26. PROPERTIES HELD FOR SALE

	2019 HK\$'000	2018 HK\$'000
Properties held for sale	<b>202,157</b>	361,812

All properties held for sale are located in Hangzhou of PRC.

As 31 December 2019, the carrying amount of properties held for sale pledged as securing for the Group's bank loans amounted to approximately HK\$86,323,000 (2018: HK\$nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 27. TRADE AND NOTES RECEIVABLES

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>356,619</b>	245,224
Notes receivables	<b>51,400</b>	306
	<b>408,019</b>	245,530

The Group's trading terms with its customers are mainly on credit, except for the new customers, where payment in advance is normally required. The credit period generally ranges from 0 to 360 days (2018: 0 to 360 days). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

An aged analysis of trade receivables, as at the end of the reporting periods based on the goods delivery date, and net of impairments, is as follows:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>135,316</b>	145,571
91 days to 180 days	<b>20,057</b>	40,489
181 days to 1 year	<b>57,437</b>	31,276
Over 1 year	<b>143,809</b>	27,888
	<b>356,619</b>	245,224

As at 31 December 2019, approximately HK\$31,383,000 (2018: Nil) of trade receivables were pledged to a bank to secure bank loans as set out in note 35 to the consolidated financial statements.

Reconciliation of loss allowance for trade receivables:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>5,280</b>	3,044
Increase in loss allowance for the year	<b>471</b>	2,236
At 31 December	<b>5,751</b>	5,280

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 27. TRADE AND NOTES RECEIVABLES (continued)

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

	Current	Over 30 days past due	Over 90 days past due	Over 180 days past due	Over 365 days past due	Total
At 31 December 2019						
Weighted average expected loss rate	0%	0%	0%	0%	13%	2%
Receivable amount (HK\$'000)	229,269	43,075	31,883	15,188	42,955	362,370
Loss allowance (HK\$'000)	-	-	-	-	(5,751)	(5,751)
At 31 December 2018						
Weighted average expected loss rate	0%	0%	0%	0%	93%	2%
Receivable amount (HK\$'000)	192,421	35,301	10,166	6,959	5,657	250,504
Loss allowance (HK\$'000)	-	-	-	-	(5,280)	(5,280)

### 28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Prepayments	<b>53,870</b>	57,399
Loans to third parties	-	44,669
Deposits paid	<b>2,451</b>	861
Other receivables	<b>712</b>	3,010
Other tax receivable	<b>4,919</b>	916
	<b>61,952</b>	106,855
Less: Prepayments-non current (Note a)	<b>(13,500)</b>	-
Amounts shown in current assets	<b>48,452</b>	106,855

Note a: Prepayments of approximately HK\$13,500,000 classified as non-current assets represented amounts paid for consultancy fee.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 29. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$'000	2018 HK\$'000
Equity securities, at fair value Listed outside Hong Kong	<b>20,643</b>	2,496

### 30. PLEDGED BANK DEPOSITS

	2019 HK\$'000	2018 HK\$'000
Pledged bank deposits	<b>23,392</b>	135,848

As at the end of the reporting period, certain notes payables and bank loans were secured by the pledged bank deposits.

### 31. CASH AND CASH EQUIVALENTS

	2019 HK\$'000	2018 HK\$'000
Cash and bank balances	<b>109,248</b>	42,627

Cash and cash equivalents denominated in:

	2019 HK\$'000	2018 HK\$'000
EURO	<b>2,069</b>	3,795
USD	<b>7,650</b>	3,463
RMB	<b>99,236</b>	34,915
HK\$	<b>293</b>	454
	<b>109,248</b>	42,627

The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 32. TRADE AND NOTES PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables	350,951	86,854
Notes payables	507,999	239,527
	<b>858,950</b>	326,381

As at 31 December 2019 and 2018, certain notes payables were secured by pledged bank deposits.

An aged analysis of trade payables, based on the invoice date, is as follows:

	2019 HK\$'000	2018 HK\$'000
Outstanding balances with ages:		
Within 180 days	187,949	58,778
181 days to 1 year	133,463	3,494
1 to 2 years	7,225	24,237
Over 2 years	22,314	345
	<b>350,951</b>	86,854

### 33. OTHER PAYABLES AND ACCRUALS

	2019 HK\$'000	2018 HK\$'000
Accruals	8,165	9,052
Salaries payable	811	783
Other tax payables	6,413	71
Due to former shareholder of an associate (note 1)	5,964	33,695
Rental received in advance	–	1,003
Deposit received	3,550	3,789
Others	1,204	180
	<b>26,107</b>	48,573

Note 1: It represents the outstanding balance of the purchase consideration in relation to the acquisition of an associate. The amounts is unsecured, non-interest bearing and has no fixed payment terms.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 34. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	<b>As at 31 December 2019 HK\$'000</b>	As at 31 December 2018 HK\$'000	As at 1 December 2018 HK\$'000
Contract liabilities	<b>251,362</b>	58,301	2,676
Contract receivables (included in trade receivables)	<b>355,778</b>	244,370	116,806

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	<b>2019 HK\$'000</b>	2018 HK\$'000
– 2019	–	58,301
– 2020	<b>511,099</b>	–
	<b>511,099</b>	58,301

Year ended 31 December	<b>2019 HK\$'000</b>	2018 HK\$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	<b>58,301</b>	1,074

Significant changes in contract liabilities during the year:

	<b>2019 HK\$'000</b>	2018 HK\$'000
Increase due to operations in the year	<b>218,501</b>	56,699
Transfer of contract liabilities to revenue	<b>(25,440)</b>	(1,074)

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration from the customer.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 35. BANK AND OTHER LOANS

	Notes	2019 HK\$'000	2018 HK\$'000
Bank loans	(i)	<b>196,703</b>	184,133
Other loans	(ii)	<b>83,209</b>	619,867
		<b>279,912</b>	804,000

Notes:

(i) As at 31 December 2019, the bank loans of approximately HK\$32,188,000 (2018: HK\$56,024,000) are guaranteed by a third party, the bank loans of approximately HK\$21,235,000 (2018: HK\$128,109,000) are secured by pledged bank deposits, the bank loans of approximately HK\$48,282,000 (2018: HK\$nil) are secured by the Group's trade receivable and the bank loans of approximately HK\$94,998,000 (2018: HK\$nil) are secured by the Group's properties held for sale.

(ii) As at 31 December 2019 and 2018, the other loans are unsecured.

At 31 December 2019 and 2018, the bank and other loans are due for repayment as follows:

Loans that contain repayable on demand clause:

	2019 HK\$'000	2018 HK\$'000
Current portion of term loan due for repayment within one year	<b>219,560</b>	746,608
Non-current portion of term loan due for repayment after one year		
After 1 year but within 2 years	<b>20,117</b>	14,348
After 2 years but within 5 years	<b>40,235</b>	43,044
	<b>60,352</b>	57,392
Total	<b>279,912</b>	804,000

The interest rates per annum at 31 December were as follows:

	2019	2018
Bank loans	<b>5.133% to 5.39%</b>	4.8% to 5.39%
Other loans	<b>4.6% to 12%</b>	4.6% to 12%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 36. DEFERRED GOVERNMENT GRANT

	2019 HK\$'000	2018 HK\$'000
<b>COST:</b>		
At 1 January	<b>58,676</b>	59,163
Additions	<b>2,047</b>	3,378
Exchange realignment	<b>(1,118)</b>	(3,865)
At 31 December	<b>59,605</b>	58,676
<b>ACCUMULATED AMORTISATION:</b>		
At 1 January	<b>11,411</b>	6,556
Amortisation for the year	<b>5,980</b>	6,113
Exchange realignment	<b>(300)</b>	(1,258)
At 31 December	<b>17,091</b>	11,411
<b>CARRYING AMOUNT:</b>		
At 31 December	<b>42,514</b>	47,265
Analysed as:		
Current liabilities	<b>5,960</b>	5,543
Non-current liabilities	<b>36,554</b>	41,722
	<b>42,514</b>	47,265

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 37. LEASE LIABILITIES

	Lease payments 2019 HK\$'000	Present value of lease payments 2019 HK\$'000
Within one year	2,114	1,685
In the second to fifth years, inclusive	6,519	4,076
After five years	1,122	486
	<b>9,755</b>	<b>6,247</b>
Less: Future finance charges	<b>(3,508)</b>	<b>N/A</b>
Present value of lease liabilities	<b>6,247</b>	
Less: Amount due for settlement within 12 months (shown under current liabilities)		<b>(1,685)</b>
Amount due for settlement after 12 months		<b>4,562</b>

At 31 December 2019, the average effective borrowing rate was 12%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

### 38. SHARE CAPITAL

Ordinary shares of HK\$0.1 each	Number of shares '000	HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.1 each		
At 1 January 2018, 31 December 2018 and 31 December 2019	10,000,000	1,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.1 each		
At 1 January 2018, 31 December 2018 and 31 December 2019	5,472,000	547,200

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 39. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

The amounts of the Company's reserves and the movements therein for the year ended 31 December 2019 are as follows:

	Share premium HK\$'000	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2018	179,968	98,938	–	(437,731)	(158,825)
Total comprehensive loss for the year	–	–	–	(7,236)	(7,236)
At 31 December 2018	179,968	98,938	–	(444,967)	(166,061)
At 1 January 2019	179,968	98,938	–	(444,967)	(166,061)
Total comprehensive loss for the year	–	–	–	(28,300)	(28,300)
Equity-settled share option expenses	–	–	27,359	–	27,359
At 31 December 2019	179,968	98,938	27,359	(473,267)	(167,002)

(c) Nature and purpose of reserves

(i) *Share premium account*

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

(ii) *Contributed surplus*

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganization, over the nominal value of the Company's shares issued in exchange therefore.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 39. RESERVES (continued)

(c) Nature and purpose of reserves (continued)

(iii) *Statutory surplus reserve*

In accordance with the relevant regulation in the PRC, the subsidiaries operating in the PRC are required to transfer 10% of their profits after tax, as determined under the accounting regulations in the PRC, to the statutory surplus reserve, until the balance of the fund reaches 50% of their respective registered capital. The statutory surplus reserve and the expansion reserve are non-distributable, and are subject to certain restrictions set out in the relevant regulations in the PRC. These reserves can be used either to offset against accumulated losses or be capitalised as paid-up capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of paid-up capital after the above mentioned usages.

(iv) *Equity investment revaluation reserve*

The equity investment revaluation reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(k)(ii) to the consolidated financial statements.

(v) *Share-based payment reserve*

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for the equity-settled share-based payments in note 4(u) to the consolidated financial statements.

### 40. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 29 May 2014, the Company approved and adopted a share option scheme (the “**Scheme**”). The purpose of the Scheme is to provide incentives and/or rewards to any director, consultant, advisor person including full-time or part-time employee of the Company and its subsidiaries, at the sole discretion of the board, for their contribution to, and their continuing efforts to promote the interests of the Company. The Scheme became effective on 30 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Scheme

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

Share options granted to a director, chief executive or substantial shareholder of the Company, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders’ approval in a general meeting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 40. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

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

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

The following table discloses movements of the Company's share options held by independent third parties during the year:

Name or category of participant	Outstanding 1 January 2019	Grant during the year (Note)	Exercise during the year	Outstanding at 31 December 2019
Employees	–	547,200,000	–	547,200,000
Exercisable at the end of the year				547,200,000
Weighted average exercise price	N/A	HK\$0.133	N/A	HK\$0.133

Fair value of the share option was calculated using the Binomial Tree model. The inputs of the model were as follows:

Grant date	<b>25 July 2019</b>
Share price	<b>HK\$0.13</b>
Exercise price	<b>HK\$0.133</b>
Expected volatility	<b>31.913%</b>
Expected life	<b>10 Years</b>
Risk free interest rate	<b>1.56%</b>
Dividend yield	<b>0%</b>

Note: The share options were granted by the Company to employees on 25 July 2019. All the share options were exercisable at the date of grant.

The expected volatility is based on the historical volatility. Expected dividend are based on historical dividends. Changes in the subjective input assumption could materially affect the fair value estimate.

The options outstanding at the end of the year have a weighted average remaining contractual life of 9.66 years. The estimated fair values of the options on the date of grant is HK\$27,359,000.

The Group recognised share-based payments expenses of approximately HK\$27,359,000 during the year ended 31 December 2019 (2018: nil) in relation to the share options granted by the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 41. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Property, plant and equipment		
– Contracted but not provided for	<b>11,121</b>	92,105
Investment properties		
– Contracted but not provided for	<b>96</b>	46,482
– Authorised but not contracted for	–	–
Capital contribution to a subsidiary	<b>111,763</b>	113,873
	<b>122,980</b>	252,460

### 42. LEASE COMMITMENTS

Commitments under operating leases

*As lessee*

During the year ended 31 December 2018, the Group leased its office properties under operating lease arrangements which were negotiated for terms of one to ten years. At 31 December 2018, the Group's minimum lease obligation under non-cancellable operating leases in respect of land and buildings are as follows:

	2018
	HK\$'000
Within one year	1,197
In the second to fifth years, inclusive	3,873
Over five years	973
	6,043

*As lessor*

At 31 December 2019 and 2018, the total future minimum lease income under non-cancellable operating leases are receivable as follows:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>10,726</b>	9,705
In the second to fifth years, inclusive	<b>19,718</b>	11,797
	<b>30,444</b>	21,502

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 43. RELATED PARTY TRANSACTIONS

- (a) Key management compensation

The compensation of key management personnel is disclosed in Note 14 to the consolidated financial statements.

### 44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) Changes in liabilities arising from financing activities

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

	<b>Lease liabilities</b> HK\$'000	<b>Bank and other loans</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2018	–	727,652	727,652
Changes in cash flows	–	63,073	63,073
Non-cash changes			
– interest charged	–	66,317	66,317
– exchange differences	–	(53,042)	(53,042)
At 31 December 2018 and 1 January 2019	–	804,000	804,000
Changes in cash flows	(1,953)	(545,886)	(335,489)
Non-cash changes			
– addition	3,966	–	3,966
– interest charged	251	34,153	34,404
– initial recognition	3,958	–	3,958
– exchange differences	25	(12,355)	(12,330)
At 31 December 2019	6,247	279,912	498,509

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2019 HK\$'000	2018 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	13	19
Investments in subsidiaries	–	–
Prepayments, deposit and other receivables	13,500	–
	<b>13,513</b>	19
<b>CURRENT ASSETS</b>		
Prepayments, deposits and other receivables	6,381	21,956
Amounts due from subsidiaries	356,418	436,259
Cash and cash equivalents	7,513	2,191
	<b>370,312</b>	460,406
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	3,627	3,152
Other loans	–	76,134
	<b>3,627</b>	79,286
	<b>366,685</b>	381,120
<b>NET CURRENT ASSETS</b>	<b>380,198</b>	381,139
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>380,198</b>	381,139
<b>NET ASSETS</b>		
<b>EQUITY</b>		
Issued capital	547,200	547,200
Reserves	(167,002)	(166,061)
<b>TOTAL EQUITY</b>	<b>380,198</b>	381,139

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 46. EVENTS AFTER REPORTING PERIOD

Impact of coronavirus disease 2019 (COVID-19)

Based on the best knowledge and belief of the directors and current information available, the outbreak of COVID-19 had nevertheless affected the Group during the first quarter of 2020. The long-term impact is still subject to further development of the outbreak of COVID-19 and government advice, bans, lockdowns and/or restrictions. Accordingly, the directors consider it is too early to gauge whether there will be a long term or permanent impact of any significance on the operations at this stage. The directors will continue to assess the impact of the COVID-19 on the Group's operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the pandemic.

### 47. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 May 2020.

## FIVE-YEAR FINANCIAL SUMMARY

The following is a summary of the published consolidated results from continuing operations and a discontinued operation and consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years.

	Year ended 31 December				
	2019 HK\$'000	2018 HK\$'000 (Restated)	2017 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000
<b>CONTINUING OPERATIONS</b>					
Turnover	<b>608,698</b>	543,276	279,889	139,312	225,991
Profit/(loss) before tax	<b>47,925</b>	67,271	35,450	(32,460)	(35,666)
Income tax (expense)/credit	<b>(21,684)</b>	(13,078)	(2,046)	(2,857)	3,666
Profit/(loss) for the year	<b>26,241</b>	54,193	33,404	(35,317)	(32,000)
Profit/(loss) attributable to:					
Owners of the Company	<b>26,241</b>	54,193	33,404	(35,317)	(38,920)
Non-controlling interests	–	–	–	–	(791)
	<b>26,241</b>	54,193	33,404	(35,317)	(39,711)

## ASSETS AND LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2019 HK\$'000	2018 HK\$'000 (Restated)	2017 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000
Total assets	<b>2,050,503</b>	1,814,123	1,475,719	252,290	235,557
Total liabilities	<b>(1,530,515)</b>	(1,339,272)	(1,036,567)	(57,804)	(94,614)
Net assets	<b>519,988</b>	474,851	439,512	194,486	140,943