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FINANCIAL HIGHLIGHTS

Key Financial Results

	Year ended 31st December,					
	2019 HK'000	2018 HK'000	Change +/-%	2017 HK'000	2016 HK'000	2015 HK'000
Turnover	704,356	611,052	15.3%	413,861	467,138	961,072
Gross Loss	(30,943)	(7,230)	328.0%	(67,443)	(328,546)	(499,932)
Loss for the year	(632,759)	(275,424)	129.7%	(102,247)	(349,768)	(951,129)
(Loss) per share (in HK dollars)	(0.09)	(0.05)	80%	(0.02)	(0.46)	(1.55)

Financial Ratios

	Year ended 31st December				
	2019	2018	2017	2016	2015
Profitability ratios:					
Gross margin (%)	N/A	N/A	N/A	N/A	N/A
Net margin (%)	N/A	N/A	N/A	N/A	N/A
Liquidity ratios:					
Current ratio (times)	0.29	0.52	0.59	0.4	0.61
Stock turnover (days) (Note 1)	2	16	22	21	101
Debtors turnover (days) (Note 2)	26	69	28	40	54
Creditors turnover (days) (Note 3)	29	25	19	9	16
Capital adequacy ratio:					
Gearing ratio (%) (Note 4)	136	65.5	53.3	77.1	58.3

Notes:

1. The number of stock turnover days is equal to inventory at the end of the year divided by the cost of sales for the year and then multiplied by 365 days.
2. The number of debtors' turnover days is equal to trade and bills receivables at the end of the year divided by the sales of the year and then multiplied by 365 days.
3. The number of creditors' turnover days is equal to trade and bills payable at the end of the year divided by the cost of sales for the year and then multiplied by 365 days.
4. The gearing ratio is equal to total bank and other borrowings at the end of the year divided by total assets at the end of the year.

EXECUTIVE DIRECTORS

Mr. POON Sum (*Chairman*)
 Mr. CHEUNG Tat Chung
(Chief Executive Officer)
 (resigned on 1st August, 2019)
 Mr. Ng Kwok Hung Perry
 Mr. Hao Xiangbin
 Mr. Huang Bin
 (appointed on 3rd September, 2019)
 Ms. Tsai Wan-yu
 (appointed on 7th February, 2020 and resigned on
 31st March, 2020)
 Mr. Wong Ka Wai
 (appointed on 7th February, 2020 and resigned on
 31st March, 2020)

NON-EXECUTIVE DIRECTOR

Mr. Sui Fuxiang
 (appointed on 1st November, 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Shu Kin
 Dr. Tse Kwok Sang
 Mr. Chiu Wai Piu
 Mr. Leung Wai Kei
 (appointed on 7th February, 2020 and resigned on
 18th May, 2020)
 Mr. Wong Yiu Kui
 (appointed on 7th February, 2020 and resigned on
 31st March, 2020)

COMPANY SECRETARY

Ms. HUI Wai Man, Shirley
 (resigned on 9th September, 2019)
 Mr. Chan Ching
 (appointed on 9th September, 2019)

**MEMBERS OF AUDIT COMMITTEE,
REMUNERATION COMMITTEE,
NOMINATION COMMITTEE AND
CORPORATE GOVERNANCE
COMMITTEE**

Mr. CHAN Shu Kin
 Dr. TSE Kwok Sang
 Mr. CHIU Wai Piu

AUTHORIZED REPRESENTATIVES

Mr. POON Sum
 Ms. HUI Wai Man, Shirley
(resigned on 9th September, 2019)
 Mr. Chan Ching
(appointed on 9th September, 2019)

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

Unit B, 13/F, Winsan Tower,
 98 Thomson Road,
 Wanchai,
 Hong Kong

REGISTERED OFFICE

Cricket Square Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
 Corporation Limited
 Bank of China (Hong Kong) Limited
 Shanghai Commercial Bank

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE**

SMP Partners (Cayman) Limited
 Royal Bank House – 3rd floor
 24 Shedden Road
 P.O. Box 1586
 Grand Cayman KY1-1110
 Cayman Islands

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor
 Services Limited
 Shops 1712-16, 17/F
 Hopewell Centre
 183 Queen's Road East, Wanchai
 Hong Kong

AUDITOR

ZHONGHUI ANDA CPA LIMITED

**LEGAL ADVISOR AS TO HONG KONG
LAWS**

Raymond Siu & Lawyers

WEBSITE

www.gtiholdings.com.hk
www.irasia.com/listco/hk/gtiholdings/index.htm

STOCK CODE

3344



CHAIRMAN'S STATEMENT

The uncertainties over the political environment and economy continued to intensify during the year 2019. The continuance of the Sino-US trade war, the withdrawal of the United Kingdom from the European Union, social issues in Hong Kong SAR since 2019 has further weakened the growth momentum of manufacturing and trading industries since 2017. The Group, whose major markets are in the European countries such as the United Kingdom and Spain and North American countries including Canada, was inevitably affected by the unstable global economic environment. In addition, the rising costs and exchange rate fluctuations also put pressure on the Group's performance during the year.

In early 2020, the spread of the CoViD-19 virus globally made it an even more difficult year. The effect of this continues to add uncertainties to the global economy for 2020 and beyond. These factors continue to affect the overall strategy on the Group's business including the trading of petroleum and chemical products business and textile business.

In view of the fast-growing revenue of trading of petroleum, the Group will continue to develop the trading of petroleum business in Hong Kong in 2020. In order to broaden the sources of revenue, the Group has commenced the trading of chemical products which was mainly ethylene glycol. In view of the promising growth in the 2019, the Group will continue to develop the trading of chemical products business in 2020 and will do so in a more prudent manner.

Around beginning of 2020, it was dry season in Cambodia and the electricity supply was very unstable. It greatly affected the production schedule and product quality. This further aggregated the situation. This led to late payment and difficulty in meeting wages payments. Accordingly, the workers took the case to court. At this moment, the Cambodian assets were frozen.

The Group will also continue to develop the PRC banknotes clearing up services business in the Mainland China and will continue to expand this business into more cities in the Mainland China. Besides, the Group plans to launch a new coin machine and is expecting more revenue to be generated from the sales of coin machines to commercial banks in the Mainland China.

Looking forward, the Group will need to continue to implement cautious approach on the development of the existing businesses and seek for better business opportunities to mitigate the impacts of the market's current volatility and to improve the performance of the Group so as to pursue a satisfactory return to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business Review

The Group's consolidated revenue for year ended 31 December 2019 increased by 15.3% from approximately HK\$611,052,000 last year to HK\$704,356,000, while the net loss for the year increased by approximately 129.7% to HK\$632,759,000 as compared to HK\$275,424,000 last year.

Trading of petroleum and chemical products

Trading of petroleum and chemical products was the major source of the revenue of the Group during 2019. The revenue from trading of petroleum and chemical products was approximately HK\$518,627,000, representing an increase by 59.7% from approximately HK\$324,763,000 last year, and accounted for 73.6% of the Group's revenue. The increase in revenue was mainly attributable to the commencement of trading of chemical products in 2019. Although the revenue increased, as a result of the volatility of the market price of petroleum during the current year, and the increase in cost and expenses incurred for the expansion of the trading of petroleum business and commencement of trading of chemical products business, the Group suffered a loss of approximately HK\$53,281,000 in the trading of petroleum and chemical products business during the reporting period.

Textile business

During the year ended 31 December 2019, the revenue from the textile business was approximately HK\$147,946,000, which represented 21.0% of the Group's revenue. Compared to last year, the revenue from the textile business dropped by 48.2%. On the other hand, the overall segment loss from textile business increased to approximately HK\$178,446,000 as compared to last year of approximately HK\$154,529,000. During the current year under review, the operating condition remained difficult.

Even though the Group had implemented the restructuring of the textile business and stringent cost saving measures in order to improve the performance of textile business, the lack of banking facilities in Hong Kong throughout 2019 affected the flexibility of the operation and ability of the Group to further improve the performance in short run.



MANAGEMENT DISCUSSION AND ANALYSIS

RMB banknotes clearing up services business

Our Group successfully acquired the entire equity interest in Jiu Zhou Financial Group Co. Ltd (“Jiu Zhou”) in December 2018. Jiu Zhou held a controlling stake in the equity interest in Zhongcheng Huiyu Technology Services Company Limited, which, together with its subsidiaries, was principally engaged in the provision of financial outsourcing services of RMB banknotes clearing up services in Mainland China. They offered one-stop professional financial outsourcing services for the branches of the People’s Bank of China and its local commercial banks in Mainland China. During the year ended 31 December 2019, the revenue from RMB banknotes clearing up services business was approximately HK\$37,345,000. However, due to the allowance for impairment loss of trade and other receivables of approximately HK\$8,694,000 made in the year under review, the Group only achieved a profit of approximately HK\$145,000 on this business segment.

Prospects

The continuance of the US-China trade war, the withdrawal of the United Kingdom from the European Union, and the effect of COVID-19 over the world’s major economies continue to add uncertainties to the global economy for 2020 and beyond. These factors continue to affect the overall strategy on the Group’s business including the trading of petroleum and chemical products business and textile business.

In view of the fast-growing revenue of trading of petroleum, the Group will continue to develop the trading of petroleum business in Hong Kong in 2020. In order to broaden the sources of revenue, the Group has commenced the trading of chemical products which was mainly ethylene glycol. In view of the promising growth in the 2019, the Group will continue to develop the trading of chemical products business in 2020 and will do so in a more prudent manner.

Around beginning of 2020, it was dry season in Cambodia and the electricity supply was very unstable. It greatly affected the production schedule and product quality. This further aggregated the situation. This led to late payment and difficulty in meeting wages payments. Accordingly, the workers took the case to court. At this moment, the Cambodian assets were frozen.

The Group will also continue to develop the PRC banknotes clearing up services business in the Mainland China and will continue to expand this business into more cities in the Mainland China. Besides, the Group plans to develop a new line of digital currency and related services.

Looking forward, the Group will need to continue to implement cautious approach on the development of the existing businesses and seek for better business opportunities to mitigate the impacts of the market’s current volatility and to improve the performance of the Group so as to pursue a satisfactory return to our shareholders.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2019, the revenue of the Group increased by 15.3% from approximately HK\$611,052,000 to HK\$704,356,000.

The rapid development of trading of petroleum and chemical products became the major contributor of the growth of turnover of the Group and it represented approximately 73.6% of the Group's total revenue during the year under review. The trading of petroleum was mainly carried out in Hong Kong during the current year while the trading of chemical products was mainly carried out in the Mainland China.

For the year ended 31 December 2019, the turnover from the textile business was approximately HK\$147,946,000 which accounted for 21.0% of the total revenue of the Group. Our textile business is principally engaged in the production and sale of knitted products and the trading of cotton and yarns.

During the year under review, the revenue from RMB banknotes clearing up services business, which was acquired last year, was approximately HK\$37,345,000 and represented approximately 5.3% of the Group's total revenue.

Cost of sales and gross loss margin

The cost of sales increased by approximately 18.9% from HK\$618,282,000 in the corresponding period last year to approximately HK\$735,299,000 during the period under review. The increase in cost of sales was mainly due to the significant increase in revenue from trading of petroleum and chemical products business. On the other hand, due to the change of the business mix, the overall gross loss margin of the Group increased from approximately 1.2% in 2018 to approximately 4.4% for the reporting period.

Other income

During the period under review, other income decreased by approximately 37.1% compared to that of 2018 to approximately HK\$4,977,000. The decrease was mainly attributable to the drop of income from sale of scrap materials of approximately HK\$2,743,000.



MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. During the year under review, with the implementation of stringent cost control and the significant increase in overall revenue which was contributed by the trading of petroleum and chemical products business, the Group's overall selling and distribution costs decreased by 46.4% to approximately HK\$15,298,000, representing approximately 2.2% of the Group's revenue.

Administrative expenses

Administrative expenses decreased by 21.5% to approximately HK\$98,900,000 during the year under review. It mainly consisted of staff costs which covered employees' salaries and welfare and directors' remuneration, depreciation and legal and professional fees. It represented approximately 14.0% of the Group's revenue.

Finance costs

Finance costs were mainly comprised of interests on bank and other borrowings which increased to approximately HK\$129,877,000 for the year under review. The finance costs increased by 49.2% as compared to the corresponding period last year as a result of the issuance of new bonds and other borrowings and the higher borrowing rate for some short-term borrowings raised during 2019.

Other gains and losses

As described in the section "prospect" above, our Cambodia operation is now being frozen under court order. Provision for impairment losses of HK\$42,406,000 regarding property, plant and equipment were made.

Investment in associate was valued at HK\$13,923,000 as at 31 December 2019 and therefore impairment losses provision of HK\$160,813,000 were made.

Borrowings

As at 31 December 2019, the Group had outstanding bank and other borrowings of approximately HK\$611,555,000, in which approximately HK\$186,141,000 was classified as falling due more than one year and the remaining balance of approximately HK\$425,414,000 was classified as falling due within one year. The total bank and other borrowings increased by approximately HK\$91,992,000 when comparing with the balance as at 31 December 2018 as a result of increase of other borrowings during the year in order to support the working capital of the Group.

Liquidity and financial resources

As at 31 December 2019, the Group's bank balances and cash decreased from approximately HK\$15,591,000 as at 31 December 2018 to approximately HK\$3,242,000 as at 31 December 2019. The Group's total assets were approximately HK\$451,180,000 as at 31 December 2019.

As a result of the increase in the operating loss, more net cash was used for the operating activities for the current year under review as compared to last year. During 2019, there was net cash generated from investing activities mainly due to disposal of subsidiaries. Net cash generated from financing activities was mainly due to the proceeds from issuance of shares and issuance of new bonds.

On 8 February 2019, the Company agreed to, among other things, allot and issue 222,222,000 shares to an independent third party in order to settle part of the principal amount of a loan in the sum of HK\$40,000,000 due by a subsidiary of the Company to such independent third party and the issuance was completed on 19 February 2019.

On 15 February 2019, the Company entered into a placing agreement with a placing agent for the placing of up to 354,000,000 shares at the placing price of HK\$0.18 per share at best effort basis. The placing was completed on 18 March 2019 with an aggregate of 177,208,000 shares issued to not less than six places with net proceeds of approximately HK\$31,259,000. During the year ended 31 December 2019, the net proceeds were fully utilised as follows: (i) approximately HK\$15,918,000 were used to repay the bank and other borrowings and (ii) approximately HK\$15,341,000 were used for the general working capital of the Group.

The Group will continue to focus on improving the net cash from operating activities and to meet its funding requirements in its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings and equity financing, and to focus on reducing the net gearing ratio by improving profitability, procuring the disposal of non-core or idle assets and implementing tighter control over costs, working capital and capital expenditure.

The sales and purchases of the Group were denominated in Hong Kong dollar, US dollar and Renminbi. The Group will remain concerned about the fluctuations in exchange rate of foreign currencies such as US dollar and Renminbi under the influence of US-China trade war. To mitigate the foreign currency risk, the Group will consider entering into appropriate hedging arrangements from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

Important Events After the Reporting Period

Appointment of receivers of a subsidiary

Champion Forever Group Limited (the “**Borrower**”), a wholly-owned subsidiary of the Company as borrower, and the Company as guarantor, have entered into a loan agreement with Champion Alliance Industries Limited as the lender (the “**Lender**”) in 2017 under which the Borrower has borrowed money for settlement of amount payables and working capital purposes. As security for the liability and obligations under the loan agreement, the Company has executed a share mortgage (the “**Share Mortgage**”) over the issued shares of the Borrower in favour of the Lender.

On 7 May 2020, the Company received a notification from Graham Management Consultants Limited informing the Company that their Mr. Chan Ho Yim, Graham and Ms. Chan Suk King (the “**Receivers**”) had been appointed by the Lender on 29 April 2020 as joint and several receivers of the issued share capital of the Borrower as the loan is overdue pursuant to the Share Mortgage as at 8 May 2020.

Winding up petitions

References are made to the announcements of the Company dated 8 January 2020, 13 January 2020, 5 March 2020, 5 June 2020, 26 June 2020, 13 July 2020 and 15 July 2020, in relation to (i) a winding up petition filed by two bondholders of the Company (the “**Petition 1**”) against the Company in the High Court of Hong Kong Special Administrative Region (the “**High Court**”) which was scheduled to be heard on 12 August 2020; (ii) a winding up petition filed by a bondholder of the Company (the “**Petition 2**”) against the Company in the High Court which was scheduled to be heard on 27 August 2020; (iii) a winding up petition filed by a bondholder of the Company (the “**Petition 3**”) against the Company in the High Court which was scheduled to be heard on 2 September 2020; and (iv) a winding up petition filed by Ms. Wang Rujing (the “**Petition 4**”) against the Company in the High Court. The Petition 4 is scheduled to be heard in the High Court on 27 August 2020.

Statutory demand

References are made to the announcements of the Company dated 26 April 2020 and 21 May 2020, the Company has received a number of statutory demands under section 178(1)(A) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**Statutory Demands**”) which were served on the Company by (i) 12 bondholders (the “**Bondholders**”) to demand the Company to pay the alleged outstanding debts in the aggregate amount of approximately HK\$66,694,000 (the “**Bondholders’ Debts**”); and (ii) 1 creditor of the loan (the “**Loan Creditor**”) to demand the Company to pay the alleged outstanding loan debt in the aggregate amount of HK\$1,100,000 (the “**Loan Creditor’s Debt**”).

MANAGEMENT DISCUSSION AND ANALYSIS

Appointment of provisional liquidators

On 26 May 2020, the Company filed a winding up petition (the “**Petition**”) together with an application for the appointment of joint provisional liquidators (the “**JPLs**”) of the Company with the Grand Court of the Cayman Islands.

On 28 May 2020 (Cayman time), upon the hearing at the Cayman Court of the JPL Application, an order (the “**Order**”) in favour of the Company was granted and Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Ms. Claire Marie Loebell of R&H Restructuring (Cayman) Ltd. were appointed as the JPLs (for restructuring purposes) on a light touch approach for restructuring purposes.

The Order provides that for so long as JPLs are appointed to the Company, no suit, action or other proceeding, including criminal proceedings, shall be proceeded with or commenced against the Company except with the leave of the Cayman Court and subject to such terms as the Cayman Court may impose.

The Order also provides that, for the avoidance of any doubt, no payment or disposition of the Company’s property or any transfer of shares or any alteration in the status of the Company’s members shall be made or effected without the direct or indirect approval of the JPLs but no such payment or other disposition or transfer of shares or alteration in the status of the Company’s members made or effected by or with the authority or approval of the JPLs in carrying out their duties and functions and in the exercise of their powers under the Order shall be avoided by virtue of the provisions of section 99 of the Companies Law of the Cayman Islands.

Capital Commitments

The Group did not have any material capital commitments as at 31 December 2019.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors and may only be declared when the Company has distributable reserve and is expected to take into account various factors such as the Group’s financial results, shareholders’ interests, general business conditions and strategies, the Group’s capital requirements, contractual restrictions on the payment of dividends by the Company to its shareholders or by the Group’s subsidiaries to the Company, taxation considerations, possible effects on the Group’s creditworthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant. Taking into account the accumulated loss of the Company, the Board does not recommend the payment of final dividend for the year ended 31 December 2019.

CORPORATE GOVERNANCE REPORT

The Company is committed to the implementations of good corporate governance practices and procedures.

The Company has adopted the code provisions set out in the Corporate Governance Code (the “Corporate Governance Code”) as set out in Appendix 14 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). None of the directors of the Company (the “Directors”) is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the code provisions as set out in the Corporate Governance Code during the year ended 31st December, 2019 (the “Relevant Period”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with each of the Directors, all of them have confirmed that they have complied with the required standard as set out in the Model Code during the Relevant Period.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, (i) four executive Directors, namely Mr. Poon Sum (Chairman), Mr. Ng Kwok Hung Perry, Mr. Hao Xiangbin and Mr. Huang Bin; (ii) one non-executive Director, namely Mr. Sui Fuxiang; and (iii) three independent non-executive Directors, namely Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu. The Directors’ biographical information is set out on page 21 of this report.

During the Relevant Period, the Chairman assumes the leadership of the Board to ensure that the Board works efficiently and discharges its responsibilities and encourages all Directors to make full and active contribution to the Board’s affairs for the best interests of the Company. The Chairman has designated the Company Secretary of the Company for compiling the agenda for each Board meeting and is primarily responsible for approving the agenda after having taken into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda.

During the Relevant Period, Mr. Huang Bin has been appointed as an executive Director on 3rd September, 2019. Mr. Sui Fuxiang has been appointed as a non-executive Director on 1st November, 2019.

Subsequent to the end of the Relevant Period, Ms. Tsai Wan-yu has been appointed as an executive Director on 7th February, 2020 and resigned on 31st March, 2020. Mr. Wong Ka Wai has been appointed as an executive Director on 7th February, 2020 and resigned on 31st March, 2020. Mr. Leung Wai Kei has been appointed as an independent non-executive Director on 7th February, 2020 and resigned on 18th May, 2020. Mr. Wong Yiu Kui has been appointed as an independent non-executive Director on 7th February, 2020 and resigned on 31st March, 2020.

Board Meetings and General Meetings

During the Relevant Period, 7 Board meetings and 1 general meeting were held. The respective attendance of each member of the Board was as follows:–

	Board meetings	General meeting
Mr. Poon Sum	6/7	1/1
Mr. Cheung Tat Chung (resigned on 1st August, 2019)	4/4	1/1
Mr. Ng Kwok Hung Perry	7/7	1/1
Mr. Hao Xiangbin	3/6	1/1
Mr. Huang Bin (appointed on 3rd September, 2019)	1/2	0/0
Ms. Tsai Wan-yu (appointed on 7th February, 2020 and resigned on 31st March, 2020)	1/1	0/0
Mr. Wong Ka Wai (appointed on 7th February, 2020 and resigned on 31st March, 2020)	0/0	0/0
Mr. Sui Fuxiang (appointed on 1st November, 2019)	0/0	0/0
Mr. Chan Shu Kin	5/7	1/1
Dr. Tse Kwok Sang	7/7	1/1
Mr. Chiu Wai Piu	7/7	1/1
Mr. Leung Wai Kei (appointed on 7th February, 2020 and resigned on 18th May, 2020)	0/0	0/0
Mr. Wong Yiu Kui (appointed on 7th February, 2020 and resigned on 31st March, 2020)	0/0	0/0

Directors' insurance

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the Relevant Period.

Roles of the Board and the management of the Group

The Board assumes responsibility for the leadership and control of the Company and its members are collectively responsible for promoting the business of the Company. The Board makes decisions on important matters, including but not limited to the approval of the overall business strategies and policies, business development, risk management, annual budgets, financial results, investment proposals, major acquisition, disposals and capital transactions, internal control, material funding decisions and major commitments relating to the Group's operations. The Board has established four committees, namely the audit committee, the remuneration committee, the nomination committee and the corporate governance committee. The management of the Group is responsible for the day-to-day operations of the Group, which implements the business strategies and plans formulated and approved by the Board. Decisions on the Group's daily operations are delegated to the management of the Group.

Independent non-executive Directors

Each of the independent non-executive Directors has made an annual confirmation to the Company concerning his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are considered to be independent. Mr. Chan Shu Kin is the independent non-executive Director with accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

During the Relevant Period, the independent non-executive Directors had met at least once with the Chairman without the presence of other Directors.

Each of the non-executive Directors (including the independent non-executive Directors) was appointed for a specific term. The appointment of:

- Mr. Chan Shu Kin is for a term of two (2) years commencing from 15th June, 2017;
- Dr. Tse Kwok Sang is for a term of two (2) years commencing from 9th July, 2017;
- Mr. Chiu Wai Piu is for a term of two (2) years commencing from 1st September, 2017;
- Mr. Sui Fuxiang is for a term of three (3) years commencing from 1st November, 2019;
- Mr. Leung Wai Kei is for a term of three (3) years commencing from 7th February, 2020 (resigned on 18th May, 2020); and
- Mr. Wong Yiu Kui is for a term of three (3) years commencing from 7th February, 2020 (resigned on 31st March, 2020).

subject to retirement by rotation at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

Remuneration Committee

The Company has established its remuneration committee (the "Remuneration Committee") in August 2005. As at the date of this report, the members of the Remuneration Committee comprise all the independent non-executive Directors, namely Dr. Tse Kwok Sang, Mr. Chan Shu Kin and Mr. Chiu Wai Piu, with Dr. Tse Kwok Sang as the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and members of the senior management of the Company, to determine, with delegated responsibility, the specific remuneration packages of all executive Directors and members of the senior management of the Company, to assess the performance of the executive Directors and to approve the terms of the service contracts of the executive Directors. The terms of reference of the Remuneration Committee have been posted on the website of the Company and are available upon request. The Remuneration Committee will consult the Chairman about its proposals relating to the remuneration of other executive Directors. During the Relevant Period, 4 Remuneration Committee meetings were held. The respective attendance of each of the members of the Remuneration Committee was as follows:–

Dr. Tse Kwok Sang	4/4
Mr. Chan Shu Kin	4/4
Mr. Chiu Wai Piu	4/4

Nomination Committee

The Company has established its nomination committee (the "Nomination Committee") in August 2005. As at the date of this report, the members of the Nomination Committee comprise all the independent non-executive Directors, namely Dr. Tse Kwok Sang, Mr. Chan Shu Kin and Mr. Chiu Wai Piu, with Dr. Tse Kwok Sang as the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee have been posted on the website of the Company and are available upon request. The Company has also adopted a board diversity policy in considering the suitability of a candidate for directorship. Board diversity comprises various aspects, including but not limited to gender, age, cultural and educational background, experience, professional qualifications, expertise, skills and the business plans of the Group at the material time. Pursuant to the board diversity policy, the Nomination Committee will review annually the structure, size and composition of the Board and will discuss any revisions that may be required in order to complement the Group's development and recommend any such revisions to the Board for consideration and approval. In selecting and nominating suitable candidates for directorship, the Nomination Committee would consider the relevant criteria based on a range of diversity perspectives as set out in the board diversity policy. The Board considers that its existing composition satisfies the requirements of diversity under the board diversity policy of the Company. During the Relevant Period, 4 Nomination Committee meetings were held. The respective attendance of each of the members of the Nomination Committee was as follows:–

Dr. Tse Kwok Sang	4/4
Mr. Chan Shu Kin	4/4
Mr. Chiu Wai Piu	4/4

Nomination Policy

The Nomination Committee shall invite nominations of candidates from Board members for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members. The factors which would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate of director include, inter alia, reputation for integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, willingness to develop adequate time to discharge duties as Board member, diversity of the Board, and such other perspectives appropriate to the Company's business. The Nomination Policy shall also be governed by other additional and relevant requirements and guidelines under the Listing Rules and Articles of Association applicable to the nomination, appointment, election and re-election of Directors.

Audit Committee

The Company has established its audit committee (the "Audit Committee") in August 2005. The Audit Committee comprises three members, who are all independent non-executive Directors and one of whom is an independent non-executive Director with the appropriate professional qualifications, or accounting or related financial management expertise. As at the date of this report, the members of the Audit Committee comprise all the independent non-executive Directors, namely Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu, with Mr. Chan Shu Kin as the Chairman of the Audit Committee.

The principal responsibilities of the Audit Committee are to review the relationship with the Auditors of the Company, review the financial information of the Group and oversee the Group's financial reporting system and internal control procedures. The terms of reference of the Audit Committee have been posted on the website of the Company and are available upon request. During the Relevant Period, 2 Audit Committee meetings were held. The respective attendance of each of the members of the Audit Committee was as follows:-

Mr. Chan Shu Kin	2/2
Dr. Tse Kwok Sang	2/2
Mr. Chiu Wai Piu	2/2

During the year ended 31st December, 2019, the Audit Committee reviewed the Group's interim and annual accounts. The Audit Committee had performed the following works:

- (a) reviewed the financial reports for the six months ended 30th June, 2019 and for the year ended 31st December, 2018;
- (b) reviewed the accounting principles and practices adopted by the Group and ensured the compliance with the relevant accounting standards, the Listing Rules and other statutory requirements;
- (c) reviewed and recommended to the Board the audit scope and auditor's remuneration for the year ended 31st December, 2018.

Corporate Governance Committee

The Company has established its corporate governance committee (the “Corporate Governance Committee”) in April 2016. The Corporate Governance Committee comprises three members, who are all independent non-executive Directors and one of whom is an independent non-executive Director with the appropriate professional qualifications, or accounting or related financial management expertise. As at the date of this report, the members of the Corporate Governance Committee comprise all the independent non-executive Directors, namely Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu, with Mr. Chan Shu Kin as the Chairman of the Corporate Governance Committee.

The principal responsibility of the Corporate Governance Committee is to keep effectiveness of the corporate governance and system of internal non-financial control of the Company, develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board, review and approve the annual corporate governance report and related disclosures in the annual and interim reports of the Company and ensure compliance with relevant requirements under the Listing Rules or other laws, regulations, rules and codes as may be applicable to the Company, review and monitor the training and continuous professional development of Directors and senior management of the Company, and develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company.

The terms of reference of the Corporate Governance Committee have been posted on the website of the Company and are available upon request. During the Relevant Period, 1 Corporate Governance Committee meeting was held. The respective attendance of each of the members of the Corporate Governance Committee was as follows:-

Mr. Chan Shu Kin	1/1
Dr. Tse Kwok Sang	1/1
Mr. Chiu Wai Piu	1/1

Continuous Professional Development

Pursuant to Code Provision A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Relevant Period, each of the Directors have been given relevant guideline materials to ensure that they are aware of the latest changes in the commercial, legal and regulatory requirements in relation to the Company’s businesses, and to refresh their knowledge and skills on the roles, functions and duties of the director of a listed company.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules’ requirements as well as guidelines on the responsibilities and obligations to be observed by a director. The package will also include the documentation for the corporate governance practices adopted by the Board.

The Company also continuously updates Directors on the latest developments regarding Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are also issued to Directors where appropriate to ensure their awareness of best corporate governance practices.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Poon Sum is the Chairman of the Board and Mr. Cheung Tat Chung is the chief executive director of the Group during 1st January, 2019 to 1st August, 2019. The roles of the Chairman of the executive officer are separate and exercised by different individuals. Following the resignation of Mr. Cheung Tat Chung on 1st August, 2019, the roles of Chairman and the chief executive officer of the Group were not separate.

COMPANY SECRETARY

The Company Secretary of the Company (a) from 1st January, 2019 to 9th September, 2019 was Ms. Hui Wai Man, Shirley; and (b) from 9th September, 2019 onwards was Mr. Chan Ching.

The Company appointed Mr. Chan Ching as the company secretary of the Company from an external secretarial services provider. Any Executive Director of the Company will be the person to whom such external service provider can contact with.

The biographical details of Mr. Chan Ching, Shirley, the current Company Secretary, are set out in the section headed "Directors and Senior Management" of this annual report. Mr. Chan Ching, Shirley took not less than 15 hours of relevant professional training in the year ended 31st December, 2019 as required by the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

Sufficient and effective risk management and internal control systems provide reasonable guarantee for the future success of the Company's business.

The Board is responsible for assessing and determining the nature and extent of risks that the Company is willing to accept and procure the Company to set up and maintain proper and effective risk management and internal control systems; and supervising the management's implementation and monitoring of risk management and internal control system.

The Board has reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions, and was satisfied with the results of the review.

For the year ended 31st December 2019, the Board has conducted a review on the Group's risk management and internal control systems at least semi-annually. The Board was satisfied that the Group has complied with the provision regarding risk management and internal controls as required under the Corporate Governance Code and is of the view that the risk management and internal control systems are effective and sufficient.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2019, the auditors of the Company received approximately HKD1,900,000 for audit service and did not receive any fee for non-audit services.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The statement by the auditors of the Company about their reporting responsibilities on the financial statements for the year ended 31st December 2019 are set out on page 36 of this report.

The auditors has stated in the financial statements that there is material uncertainty related to going concern and note 1 to the consolidated financial statements indicates that (a) the Group incurred a loss attributable to owners of the Company of approximately HK\$585,613,000 for the year ended 31st December 2019; and (b) as at 31st December 2019, the Group had net current liabilities of approximately HK\$528,366,000.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meeting and putting forward proposals at Shareholders' meetings

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company at Unit B, 13/F, Winsan Tower, 98 Thomson Road, Wanchai, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

We always welcome Shareholders' views and input. Shareholders and other stakeholders may at any time address their concerns to the Company Secretary by mail, facsimile or email. The contact details are as follows:

Address:	Unit B, 13/F, Winsan Tower, 98 Thomson Road, Wanchai, Hong Kong
Facsimile no.:	(852) 2156 2919
Email:	info@gtiholdings.com.hk

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company regards high quality reporting as an essential element in building successful relationships with its shareholders. The Company always endeavours to provide relevant information to existing and potential investors, not only to comply with the different requirements in force but also to enhance transparency and communications with shareholders and the investing public. Regular and publicly available disclosures about important issues, including performance, fundamental business strategy, governance and management of risk are made through various channels:

- the Company's annual general meeting and extraordinary general meetings;
- interim and annual results announcements published on the websites of the Company and the Stock Exchange;
- interim and annual reports of the Company delivered to all shareholders;
- regular press releases;
- timely update of the websites of the Stock Exchange and the Company;
- circulars and other corporate communications to Shareholders; and
- prompt news releases and announcements regarding major corporate actions and business initiatives.

The Company maintains a website at www.gtiholdings.com.hk where the Company's announcements, circulars, notices, financial reports, business developments, press releases and other information are posted.

The Company is committed to ensuring that it is in full compliance with disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information that is released by the Group.

CONSTITUTIONAL DOCUMENT

The Company did not amend its Articles of Association during the Relevant Period.

DIRECTORS

Executive Directors

Mr. POON Sum, aged 55, was appointed as Executive Director of the Company on 19th April 2017. Mr. Poon has over 33 years of experience in petroleum and coatings industry in Hong Kong and China. He was an executive director and honorary chairman of Tou Rong Chang Fu Group Limited (listed in Main Board of HKEX), until his retirement in August 2017. Currently, he is an executive director, and chief executive officer of Gold Horn International Enterprises Group Limited (Stock Code: GHE/P, a company listed on the TSX Venture Exchange, Canada).

Mr. NG Kwok Hung Perry, aged 52, was appointed as Executive Director of the Company on 17th September 2018. Mr. Ng is the chief operating officer at Yunduan Technology Co., Ltd. ("Yunduan Tech"). Mr. Ng is responsible for the operation and investment business of Yunduan Tech and assisting in formulating the Yunduan Tech's strategy of sustainable development. Mr. Ng was in the management of an European multinational conglomerate where he was overseeing the business of international trades and gained extensive experience in the aspects of investment and commodity trades, including fuel oil, non-ferrous metal and etc.. Mr. Ng holds a Bachelor (Honors) Degree in Engineering from the University of Melbourne and a Master Degree in Business Administration from the University of Adelaide.

Mr. HAO Xiangbin, aged 54, was appointed as Executive Director of the Company on 11th January 2019. Mr. Hao graduated from the Northeast Agricultural University with a postgraduate degree. He has worked in the management of a number of domestic commercial banks in the PRC and has more than 30 years of experience in the financial industry. He has unique insights and innovations in banking assets, liabilities and intermediary business. In 2014, Mr. Hao initiated a new business model for the outsourcing of the RMB banknotes clearing up services by the financial institutions in the PRC. Thereafter, Mr. Hao has successfully developed the business enterprise currently with 19 RMB banknotes clearing up centres all over the PRC. In addition, the lines of business have been diversified into the research and development and sale of the smart devices and equipment for handling banknotes and coins clearing up services, the development and application of Internet of Things in the financial sector, etc.

DIRECTORS AND SENIOR MANAGEMENT

Mr. HUANG Bin, aged 54, was appointed as an Executive Director of the Company on 3 September 2019. Mr. Huang is currently the director of CITIC International Assets Management Limited and Silk Road Renaissance (絲路復興基金) in capacity of the Chief Strategy Officer and the Chief Executive Officer respectively. He has extensive experiences and expertise in fund and asset management as well as direct investment and project finance. He has successfully helped many Chinese enterprises to exploring overseas energy and resource projects, promoting international engineering and contracting business, as well as applying high-end manufacturing technologies. Following the national policy of the “Belt and Road” initiatives, he is very accomplished through providing total solutions by ways of rare combination of Chinese business savvy with western practice in cross-border M&A and corporate advisory services and investments financing business, catering to local cases and circumstances. After years of expatriate experience, Huang Bin return to China in 2005 and joined CITIC Securities under the CITIC Group where he founded CITIC Merchant, through which he established Silk Road Renaissance and served the task force of for China’s need of development finance and investment. Later on, he was also transferred to CIFH, an overseas subsidiary of CITIC Bank and joined the Chinese General Chamber of Commerce on behalf of CITIC Merchant. He participate initiating and also sponsoring the sponsorship of Guangdong-Hong Kong-Macao Bay Area Entrepreneurs Union in association with Chinese SOE at state and local government level. He now serves as the Executive Vice Chairman of the Union in charge of technology and finance sector. He has been actively engaged in system integration and coordination of industrial investment and finance activities, taking many important political and social positions such as the director of the China Association for International Friendly Contact. Huang Bin received his undergraduate education in the School of Naval Architecture and Marine Engineering of Harbin Engineering University, he further studied the EMBA program offered by the Kellogg School of Management at Northwestern University in the United States and received Senior Visiting Scholar Programme from Europe Communities. Mr. Huang is an executive director of Lamtex Holdings Limited (stock code: 1041), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited with effect from 19 March 2020 and was appointed as the Chairman of the Board on 23 March 2020.

Non-Executive Director

Mr. SUI Fuxiang, aged 46, was appointed as Non-Executive Director of the Company on 1st November 2019. Mr. Sui has long been engaged in strategic research, financial investment and business collaboration. He has studied in many universities and has studied in the international economic and trade environment, especially in the field of equity investment. He is familiar with the economic and social conditions of Hong Kong and Macau, and is good at macro situation analysis and basic investigation and research. He has participated in the development of science and technology, real estate, cultural media and big health projects for a long time, with extensive resources and experience in related fields. Since joining CITIC Merchant Co., Ltd. in 2019, he has been mainly responsible for internal coordination within the group and external liaison work.

Independent Non-Executive Directors

Mr. CHAN Shu Kin, aged 65, was appointed as an independent non-executive Director of the Company on 15th June, 2015. Mr. Chan is a practicing certified public accountant and is a partner of Messrs. Ting Ho Kwan & Chan, Certified Public Accountants. Mr. Chan has over 42 years of experience in the field of auditing, accounting as well as financial management. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of each of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Tax Advisor of the Taxation Institute of Hong Kong and the past president of the Society of Chinese Accountants and Auditors. He served as an independent non-executive director of Long Well International Holdings Limited (formerly known as Tou Rong Chang Fu Group Limited, Stock Code: 850) from October 2002 to December 2019. Mr. Chan is currently an independent non-executive director of PYI Corporation Limited (Stock Code: 498).

Dr. TSE Kwok Sang, aged 63, was appointed as an independent non-executive Director of the Company on 9th July, 2015. He holds a bachelor degree in Chemistry from The University of Hong Kong. He also holds a degree of Master of Business Administration, a master degree in Statistics and a Ph.D. degree in Finance from Michigan State University in the United States. Dr. Tse has also obtained the professional designation of Associate of the Society of Actuaries in the United States. Dr. Tse is currently the Undergraduate Programme Director and Associate Professor of the School of Economics and Finance of The University of Hong Kong. Before joining The University of Hong Kong, Dr. Tse was the Assistant Professor of Finance at the Hong Kong University of Science and Technology; prior to that, he was the Assistant Professor of Finance and Insurance at Indiana University in the United States. Dr. Tse is a Co-opted Executive Councilor of the New Territories Heung Yee Kuk. On 1st July, 2010, Dr. Tse was appointed by the Chief Executive of the HKSAR Government as the Justice of the Peace. Dr. Tse is currently an independent non-executive director of Wing Lee Property Investments Limited (Stock Code: 864) and Sunlight Real Estate Investment Trust (Stock Code: 435) as well as AP Asset Management (HK) Limited.

Mr. CHIU Wai Piu, aged 73, was appointed as an independent non-executive Director of the Company on 1st September, 2015. He is a very experienced and reputable journalist and has over 44 years of experience in journalism. He has been a reporter, an editor, the main news assignment editor, the local news assignment editor, the managing editor and the editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Mr. Chiu has been the founding treasurer and the second-session chairman of the "Hong Kong Federation of Journalists". In 2006, he was elected as the Vice Secretary – General & Treasurer in the new session of re-election of committee members of the "Hong Kong Federation of Journalists"; and he was also elected as the Director-General in 2009, he is now the Deputy Chief Secretary. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognised. Mr. Chiu served as an independent non-executive director of independent non-executive director of Long Well International Holdings Limited (formerly known as Tou Rong Chang Fu Group Limited, Stock Code: 850) from December 2015 to December 2019. Mr. Chiu served as an independent non-executive director of Zhuoxin International Holdings Limited (Stock Code: 8266) from July 2010 to December 2019.

SENIOR MANAGEMENT

Mr. LIN Chun Ming, aged 66, is the director of Chinakey (Hong Kong) Limited and the Senior Manager of the sales department of the Group. Mr. Lin is responsible for the sales and marketing of the Group's yarn dyeing and sweater knitting sections. Mr. Lin obtained a Diploma in Business Management from the Hong Kong Baptist University in 1977. Mr. Lin has over 31 years of sales and marketing experience in the textile industry. Mr. Lin first joined the Group as a sales representative of Addchance in April 1985 but vacated in April 1990 and founded his own textile business, Lynn's Trading Company. He re-joined the Group in May 1996.

Mr. CHAN Ching, aged 40, is the Company Secretary of the Company from 9th September, 2019. He is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. TSANG Fai, aged 46, joined the Group in January 1999 as an assistant to sales manager and was elected as an executive Director of the Company in May 2013. In June 2016, he resigned as the executive Director of the Company and remained his office as a director of a principal subsidiary of the Company. Mr. Tsang is responsible for the operation and administration of the Group's sweater knitting section. Mr. Tsang obtained his Bachelor's degree in Mathematical Science and Master's degree in Scientific Computing from the Hong Kong Baptist University in 1998 and 2003 respectively.

Mr. YEUNG Choi Yee, aged 44, joined the Group in November 2003 and was elected as an executive Director of the Company on 1 July 2015. In May 2016, he retired as the executive Director of the Company and remained his position as the general manager of the Group. Mr. Yeung is responsible for the supervision of the Group's information technology department, and the development of the Group's ISO9001 management system, quality system and technological research in the Group's yarn dyeing section. Mr. Yeung obtained his Bachelor's degree in Mathematical Science and Master's degree in Scientific Computing from the Hong Kong Baptist University in 1998 and in 2003 respectively.

The Directors present the 2019 annual report and the audited consolidated financial statements for the year ended 31st December, 2019.

BUSINESS REVIEW

A review of the Group's business and the analysis using the financial key performance indicators are set out on page 2 of this report under the paragraphs headed "Business Review and Prospects" and "Financial Review" in the section headed "Management Discussion and Analysis" of this report. In summary, (i) the Group recorded a net loss of approximately HK\$648 million for the year ended 31st December, 2019, which was increased by 137% as compared with the net loss of approximately HK\$273 million for the year ended 31st December, 2018; (ii) bank note clearing, trading of petroleum and chemicals, textiles are the principal operation of the Group; (iii) the market condition for textile industry remained difficult in the year of 2019.

There are a number of principal risks and uncertainties facing the Group as follows: (i) overall weak growth in consumer market, (ii) substantial fluctuation in exchange rates, (iii) the intensified international competition. The above are not intended to be an exhaustive list of all principal risks and uncertainties facing the Group. These may change over time as new risks and uncertainties emerge and others cease to be of concern. The Group will actively develop new products to enhance competitiveness and will also explore other overseas markets to reduce the risks.

Looking ahead, the global economy will remain uncertain. However, the rigid demand for the Group's products and services will continue to exist at a stable state.

Particulars of the major suppliers and customers of the Group are set out on page 53 of this report. The Directors are in general satisfied with the relationships with the customers and suppliers.

The Company recognizes the importance of having good working relationship with its staff and the Directors believe that the Group has good working relationship with its staff as a whole.

Save and except for certain deviation from the Corporate Governance Code as set out under Appendix 14 to the Listing Rules, the Company has complied in all material respects with all relevant laws and regulations that have a significant impact on the Group.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 46 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 34 to the consolidated financial statements.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2018 amounted to approximately HK\$Nil.

DIRECTORS

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

Executive Directors:

Mr. Poon Sum
Mr. Cheung Tat Chung (resigned on 1st August, 2019)
Mr. Ng Kwok Hung Perry
Mr. Hao Xiangbin
Mr. Huang Bin (appointed on 3rd September, 2019)
Ms. Tsai Wan-yu (appointed on 7th February, 2020 and resigned on 31st March, 2020)
Mr. Wong Ka Wai (appointed on 7th February, 2020 and resigned on 31st March, 2020)

Non-Executive Director:

Mr. Sui Fuxiang (appointed on 1st November, 2019)

Independent Non-Executive Directors:

Mr. Chan Shu Kin
Dr. Tse Kwok Sang
Mr. Chiu Wai Piu
Mr. Leung Wai Kei (appointed on 7th February, 2020 and resigned on 18th May, 2020)
Mr. Wong Yiu Kui (appointed on 7th February, 2020 and resigned on 31st March, 2020)

Mr. Poon Sum and Mr. Chan Shu Kin will retire from office by rotation in accordance with Article 87(1) of the Articles of Association of the Company and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

Mr. Huang Bin and Mr. Sui Fuxiang will retire from office in accordance with Article 86(3) of the Articles of Association of the Company and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Poon Sum has entered into a director's service agreement with the Company for a term of three years from 19th April, 2017, and either party may terminate the agreement by giving to the other party not less than three months notice in writing.

Mr. Ng Kwok Hung Perry has entered into a director's service agreement with the Company for a term of three years from 17th September, 2018, and either party may terminate the agreement by giving to the other party not less than three months notice in writing.

DIRECTORS' REPORT

Mr. Hao Xiangbin has entered into a director's service agreement with the Company for an initial term of three years from 11th January, 2019, and either party may terminate the agreement by giving to the other party not less than three months notice in writing.

Mr. Huang Bin has entered into a director's service agreement with the Company for an initial term of three years from 3rd September 2019, and either party may terminate the agreement by giving to the other party not less than three months notice in writing.

Mr. Sui Fuxiang has entered into a director's service agreement with the Company for an initial term of three years from 1st November 2019, and either party may terminate the agreement by giving to the other party not less than three months notice in writing.

Mr. Chan Shu Kin has entered into a letter of re-appointment with the Company for a term of two years from 15th June, 2019 to 14th June, 2021.

Dr. Tse Kwok Sang has entered into a letter of re-appointment with the Company for a term of two years from 9th July, 2019 to 8th July, 2021.

Mr. Chiu Wai Piu has entered into a letter of re-appointment with the Company for a term of two years from 1st September, 2019 to 31st August, 2021.

Other than as disclosed above, none of the directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2019, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in Shares

Name	Company/Name of associated corporation	Capacity	Numbers of Shares held	Percentage of shareholding
Poon Sum ("Mr. Poon")	The Company	Interest in controlled corporation (<i>Note 1</i>)	3,216,048,000	51.06%

Notes:

1. These Shares were registered in the name of Gold Train Investments Limited ("Gold Train"), the entire issued capital of which was owned by Mr. Poon. Mr. Poon was also the sole director of Gold Train. Mr. Poon was deemed to be interested in all the Shares in which Gold Train was interested by virtue of the SFO.

Save as disclosed above, as at 31st December 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or 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.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 23rd May, 2017 (the "Scheme") which enables the Company to grant options to eligible persons as incentives or rewards for their contributions to the Group. Pursuant to the Scheme, the Company may grant options to (a) any full time employee or director of any member of the Group; (b) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which a grant of the option is offered to such part time employee; or (c) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme must not exceed 539,673,090 Shares, representing 10 per cent. of the Shares in issue as at the date of passing the resolutions approving the Scheme. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the Shares in issue from time to time unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

DIRECTORS' REPORT

The exercisable period of an option under the Scheme will be notified by the Board to each participant which shall not exceed 10 years from the date upon which the option is deemed to be granted and accepted. The Scheme does not require a minimum period for which an option must be held before an option can be exercised. Upon acceptance of the option, the eligible person shall pay HK\$1.00 to the Company by way of consideration for the grant. The subscription price for the Shares subject to options will be a price determined by the Board and will be at least the highest of (i) the average closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; (ii) the closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; and (iii) the nominal value of the Share. Subject to the termination provisions, the Scheme will remain valid for a period of 10 years commencing on 23rd May, 2017. The Scheme will expire on 22nd May, 2027.

No options were granted, exercised, cancelled or lapsed during the year ended 31st December, 2019 nor outstanding as at 31st December 2019.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its ultimate holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' INDEMNITY

According to the articles of association of the Company, the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their respective offices.

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended 31st December, 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company, its ultimate holding company, any of its fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Those related party transactions as set out in note 45(b) of the consolidated financial statements constituted exempted connected transactions/continuing connected transactions of the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON IN SHARES AND UNDERLYING SHARES

As at 31st December 2019, the following substantial shareholders and other person (other than a director or chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in Shares

Name	Capacity	Numbers of Shares held	Percentage of shareholding
Gold Train	Beneficial owner (<i>Note 1</i>)	3,216,048,000	51.06%
Wong Hiu Hung ("Ms. Wong")	Interest of spouse (<i>Note 2</i>)	3,216,048,000	51.06%
China Great Wall AMC (International) Holdings Company Limited ("China Great ")	Security interest (<i>Note 3</i>)	2,752,332,765	43.70%

Notes:

1. The entire issued capital of Gold Train was owned by Mr. Poon. Mr. Poon was also the sole director of Gold Train. Mr. Poon was deemed to be interested in all the Shares in which Gold Train was interested by virtue of the SFO.
2. Ms. Wong was regarded as interested in all the Shares in which Mr. Poon, her spouse, was interested by virtue of the SFO.
3. China Great, having a security interest in 2,752,332,765 shares, was interested in 2,752,332,765 shares by virtue of the SFO, of which China Great filed a winding-up petition and a bankruptcy petition against Gold Train and Mr. Poon. Details were set out in the announcement of the Company dated 19 January 2020.

Save as disclosed above, as at 31st December 2019, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who 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.

DIRECTORS' REPORT

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the executive directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The remuneration of the non-executive directors (including the independent non-executive directors) of the Company are recommended by the Remuneration Committee. The details of emoluments of the directors are set out in note 15 to the consolidated financial statements.

For the year ended 31st December, 2019, emolument of three of the senior management was within the band of HK\$1,000,001 to HK\$1,500,000 and the emoluments of all remaining senior management were within the band of HK\$Nil to HK\$1,000,000.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

None of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

MANAGEMENT CONTRACTS

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

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 60.5% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 23.1% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 65.6% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 47.1% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2019.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Zhonghui Anda CPA Limited as auditor of the Company.

On behalf of the Board

POON SUM

Chairman

Hong Kong, 31 August, 2020



TO THE SHAREHOLDERS OF
GTI HOLDINGS LIMITED
(In provisional liquidation for the purpose of restructuring)
(Incorporated in the Cayman Islands with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of GTI Holdings Limited (In provisional liquidation for the purpose of restructuring) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 37 to 114, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other aspects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer Opinion

1. Impairment for deposit paid for acquisition of land use right and property, plant and equipment

We were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to whether the impairment losses recognised on deposit paid for acquisition of land use right and property, plant and equipment of approximately HK\$5,230,000 was properly recorded for the year ended 31 December 2019.

2. Investment in associates

We were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to (i) the accuracy of carrying amount and the recoverability of the investment in an associate of approximately HK\$11,937,000 as at 31 December 2019; (ii) whether the share of loss of investment in an associate of approximately HK\$500,000, the share of translation reserve of that associate of approximately HK\$393,000 (Debit) for the year ended 31 December 2019 and the balance of translation reserve of that associate of approximately HK\$393,000 (Debit) as at 31 December 2019 were properly recorded; and (iii) whether the impairment losses recognised on investment in an associate of approximately HK\$160,813,000 was properly recorded for the year ended 31 December 2019.

3. Derivative financial instruments

We were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the recoverability of derivative financial instruments of approximately HK\$37,520,000 as at 31 December 2019. There are no other satisfactory audit procedures that we can perform to determine whether any allowance for credit loss should be made in the consolidated financial statements.

4. *Other receivables, deposits and prepayments*

We were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to (i) the nature, existence and recoverability of other receivables, deposits and prepayments of approximately HK\$84,067,000 as at 31 December 2019; (ii) the recoverability of another other receivables, deposits and prepayments of approximately HK\$53,588,000 as at 31 December 2019; and (iii) whether the impairment losses recognised on other receivables of approximately HK\$100,182,000 was properly recorded for the year ended 31 December 2019.

5. *Other payables*

We were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the nature and obligation of other payables of approximately HK\$18,872,000 as at 31 December 2019.

6. *Limited accounting books and records of Cambodia Group*

Dignity Knitter Limited, Great Honour Factory Limited, ECO Base Factory Limited and Chung Yick Textile Factory Limited (collectively referred to as the "Cambodia Group"), indirect wholly-owned subsidiaries of the Group operate in the production, sale and trading of textile products in Cambodia, has been in disputes with the landlord in Cambodia. Subsequent to the year ended 31 December 2019, the Group has not allowed to enter the premises of the Cambodia Group. We have not yet obtained sufficient appropriate audit evidence to satisfy ourselves as to whether the following income and expenses for the year ended 31 December 2019 and the assets and liabilities as at that dates, and the related disclosure notes in relation to Cambodia Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	31 December 2019 HK\$'000
Income and expenses	
Revenue	27,754
Cost of sales	(147,593)
Other income	425
Other gains and losses	(39,725)
Selling and distribution costs	(5,249)
Administrative expenses	(18,730)
Finance costs	(66)
Income tax expense	—
	<u>(183,184)</u>
Assets and liabilities	
Property, plant and equipment	54,795
Right-of-use assets	822
Trade and other receivables, deposits and prepayments	4,863
Bank balances and cash	354
Trade and other payables	(38,510)
Lease liabilities	(847)
	<u>21,477</u>

INDEPENDENT AUDITOR'S REPORT

We were also unable to obtain sufficient reliable evidence to satisfy ourselves as to whether the Group have any significant contingent liabilities and commitments as at 31 December 2019 and significant transactions or events which may have occurred from 1 January 2020 to the date of this auditor's report in respect of Combodia Group that need to be adjusted for or disclosed in the consolidated financial statements.

Any adjustments to the above figures might have a significant consequential effect on the Group's financial performance for the year ended 31 December 2019 and the financial position of the Group as at 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$585,613,000 for the year ended 31 December 2019 and as at 31 December 2019 the Company had net current liabilities and net liabilities of HK\$528,366,000 and HK\$492,462,000 respectively. This condition indicates a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the debt restructuring of the Group will be successfully completed and future funding available at a level sufficient to finance the working capital requirements of the Group. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the financial support. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the availability of future funding, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

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 International Financial Reporting Standards (the "IFRSs") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	8	704,356	611,052
Cost of sales		<u>(735,299)</u>	<u>(618,282)</u>
Gross loss		(30,943)	(7,230)
Interest revenue		647	63
Other income	10	4,977	7,917
Share of result of associates		(942)	–
Other gains and losses	11	(358,757)	(33,799)
Selling and distribution costs		(15,298)	(28,518)
Administrative expenses		(98,900)	(126,066)
Finance costs	12	<u>(129,877)</u>	<u>(87,049)</u>
Loss before tax		(629,093)	(274,682)
Income tax expense	13	<u>(3,666)</u>	<u>(742)</u>
Loss for the year	14	(632,759)	(275,424)
Other comprehensive income/(loss):			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investment at fair value through other comprehensive income		<u>(5,412)</u>	<u>1,275</u>
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(199)	(5,837)
Share of foreign currency translation reserve of an associate		(393)	–
Reclassification of translation reserve to profit or loss upon disposal of a subsidiary/subsidiaries		<u>(9,776)</u>	<u>7,271</u>
		<u>(10,368)</u>	<u>1,434</u>
Total comprehensive loss for the year		<u>(648,539)</u>	<u>(272,715)</u>
Loss for the year attributable to:			
Owners of the Company		(585,613)	(275,391)
Non-controlling interests		<u>(47,146)</u>	<u>(33)</u>
		<u>(632,759)</u>	<u>(275,424)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(601,247)	(272,682)
Non-controlling interests		<u>(47,292)</u>	<u>(33)</u>
		<u>(648,539)</u>	<u>(272,715)</u>
Loss per share	17		
<i>Basic and diluted (HK cents)</i>		<u>(9.40)</u>	<u>(5.09)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment	18	108,983	186,351
Prepaid lease payments	19	–	23,005
Right-of-use assets	20	13,031	–
Deposit paid for acquisition of land use right and property, plant and equipment		12,572	18,717
Goodwill	21	6	34,317
Intangible assets	22	18,353	26,310
Investment in associates	23	13,923	173,643
Equity investments at fair value through other comprehensive income	24	–	5,414
Derivative financial instruments	25	37,520	1,412
Deferred tax assets	36	–	3,439
Trade and other receivables, deposits and prepayments	28	27,693	–
		<u>232,081</u>	<u>472,608</u>
Current assets			
Prepaid lease payments	19	–	586
Investment at fair value through profit or loss	26	–	2,199
Inventories	27	3,408	26,428
Trade and other receivables, deposits and prepayments	28	203,395	254,570
Tax recoverable		–	1,659
Bank balances and cash	29	3,242	15,591
		<u>210,045</u>	<u>301,033</u>
Assets classified as held for sale	30	9,054	20,823
		<u>219,099</u>	<u>321,856</u>
Current liabilities			
Trade and other payables	31	280,823	166,585
Contract liabilities	32	533	683
Tax liabilities		9,526	7,998
Bank and other borrowings – due within one year	33	425,414	422,581
Bank overdrafts	33	–	846
Lease liabilities	35	2,618	–
Obligation under finance lease	34	–	139
Amounts due to a related party	45	5,095	2,944
		<u>724,009</u>	<u>601,776</u>
Liabilities associated with assets classified as held for sale	30	23,456	20,110
		<u>747,465</u>	<u>621,886</u>
Net current liabilities		<u>(528,366)</u>	<u>(300,030)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(296,285)</u>	<u>172,578</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current liabilities			
Bank and other borrowings – due after one year	33	186,141	96,982
Lease liabilities	35	1,285	–
Obligation under finance lease	34	–	378
Deferred tax liabilities	36	8,751	10,745
		<u>196,177</u>	<u>108,105</u>
NET (LIABILITIES)/ASSETS		<u>(492,462)</u>	<u>64,473</u>
Capital and reserves			
Share capital	37	62,988	58,994
Share premium and reserves	38	(569,528)	(20,868)
Equity attributable to owners of the Company		<u>(506,540)</u>	<u>38,126</u>
Non-controlling interests		<u>14,078</u>	<u>26,347</u>
TOTAL (DEFICITS)/EQUITY		<u>(492,462)</u>	<u>64,473</u>

The consolidated financial statements on pages 37 to 114 were approved and authorised for issue by the board of directors on 31 August 2020 and are signed on its behalf by:

Poon Sum
Director

Ng Kwok Hung Perry
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Special reserves	Statutory reserves	Investment revaluation reserve	Translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	53,967	785,875	73,232	23,851	15,127	739	97,630	(912,837)	137,584	1,909	139,493
Total comprehensive income/(loss) for the year	-	-	-	-	-	1,275	1,434	(275,391)	(272,682)	(33)	(272,715)
Ordinary shares issued	5,027	167,770	-	-	-	-	-	-	172,797	-	172,797
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	24,298	24,298
Equity transaction (iv)	-	-	-	-	-	-	-	427	427	(427)	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	600	600
At 31 December 2018	58,994	953,645	73,232	23,851	15,127	2,014	99,064	(1,187,801)	38,126	26,347	64,473

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Special reserves	Statutory reserves	Investment revaluation reserve	Translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	58,994	953,645	73,232	23,851	15,127	2,014	99,064	(1,187,801)	38,126	26,347	64,473
Total comprehensive loss for the year	-	-	-	-	-	(5,133)	(10,501)	(585,613)	(601,247)	(47,292)	(648,539)
Ordinary shares issued	3,994	68,598	-	-	-	-	-	-	72,592	-	72,592
Disposal of subsidiaries	-	-	-	113	-	-	-	(113)	-	(752)	(752)
Capital injection from non-controlling shareholder	-	-	-	(18,765)	-	-	-	-	(18,765)	35,205	16,440
Equity transaction (v)	-	-	-	2,754	-	-	-	-	2,754	570	3,324
At 31 December 2019	62,988	1,022,243	73,232	7,953	15,127	(3,119)	88,563	(1,773,527)	(506,540)	14,078	(492,462)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

Notes:

- (i) The contributed surplus of the Group represents (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Atlantic Limited (being the holding company of companies comprising the group before group reorganisation carried out in 2005), over the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation; less (ii) dividend paid approved by shareholders pursuant to the memorandum and articles of association of the Company; and (iii) deemed contributions arising from non-interest bearing advances from a shareholder and a related company held by this shareholder and his spouse.
- (ii) Special reserves of the Group represent (i) the difference between the nominal value of share capital issued by Interlink Atlantic Limited, the Company's subsidiary, and the nominal value of the share capital of subsidiaries acquired by Interlink Atlantic Limited on 23 September 2004; (ii) the contribution from non-controlling interests of net assets value shared by them to a former shareholder of Interlink Atlantic Limited; (iii) the difference between the amount by which the non-controlling interest is adjusted and the consideration paid for the change in the Group's ownership interest in LW Asset Management Advisors Limited (the "LW Asset"), an indirect non-wholly owned subsidiary of the Company, that do not result in changes in control over that subsidiary; and (iv) the difference between capital contribution from 中晨匯裕科技服務有限公司 non-controlling interests and 中晨匯裕科技服務有限公司 of net assets value.
- (iii) The Group's statutory reserves represent reserves required to be appropriated from profit after taxation of the Company's subsidiaries established in the People's Republic of China ("PRC") and Macau under PRC or Macau laws and regulations. In accordance with relevant PRC and Macau Company Laws and Regulations, the PRC and Macau companies are required to transfer 10% to 25% of their profits after taxation computed in their statutory financial statements presented under the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC/Macau to the statutory surplus reserves until the reserve balance reaches 50% of their paid-in capital.
- (vi) The Group transferred 4% equity interest of three indirectly owned subsidiaries, Chinakey Global Limited, Kinetic Treasure Limited and Everwin Enterprise Limited to a third party during the year ended 31 December 2018.
- (v) During 1 January 2019 to 30 September 2019, the Group's interest in LW Asset Management Advisors Limited ("LW Asset") decreased from 82.03% to 50.44%. The decrease of the Group's equity interests in LW Asset of 31.59% do not result in any changes of the Group's control over LW Asset and is accordingly accounted for as equity transaction. The surplus of approximately HK\$2,754,000, representing the difference between the consideration of HK\$3,324,000 and the amount of non-controlling interests approximately HK\$570,000, is debited to the special reserves.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities		
Loss before tax	(629,093)	(274,682)
Adjustments for:		
Finance costs	129,877	87,049
Bank interest income	(647)	(63)
Depreciation of property, plant and equipment	24,696	37,392
Amortisation of prepaid lease payments	–	916
Amortisation of intangible assets	3,877	–
Depreciation charge of right-of-use assets	5,671	–
(Gain)/loss on disposal/written off of property, plant and equipment	(9)	12,085
Gain on disposal of subsidiaries	7,982	(13,273)
Gain on fair value changes on modification of other borrowings	(5,031)	–
Gain on fair value changes of investment at fair value through profit or loss	–	(839)
Loss on disposal of investments at fair value through profit or loss	723	–
Share of result of associates	942	–
Loss on extinguishing financial liabilities with equity instruments	1,333	–
Write-down of inventories	14,091	1,773
Fair value gain on derivative financial instruments	(48,239)	–
Impairment losses recognised on property, plant and equipment	42,406	34,833
Impairment losses recognised on trade and other receivables (net of bad debt recovered)	153,315	1,333
Impairment losses recognised on goodwill	34,311	–
Impairment losses recognised on right-of-use assets	2,598	–
Impairment losses recognised on investment in associates	160,813	–
Impairment loss on deposit paid for acquisition of land use right and property, plant and equipment	5,230	–
Impairment losses recognised on intangible assets	4,080	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(91,074)	(113,476)
Decrease/(increase) in inventories	8,968	(191)
Increase in trade and other receivables, deposits and prepayments	(143,184)	(21,504)
Increase in investment at fair value through profit or loss	–	(581)
Increase/(decrease) in trade and other payables	75,504	(10,388)
(Decrease)/increase in contract liabilities	(150)	683
	<hr/>	<hr/>
Cash used in operations	(149,936)	(145,457)
Income tax paid	(716)	(544)
	<hr/>	<hr/>
Net cash used in operating activities	(150,652)	(146,001)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
Cash flows from investing activities		
Payment of deposit paid for acquisition of investment	–	(12,335)
Proceeds on disposal of property, plant and equipment	10	8,519
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	–	661
Interest received	647	2,822
Purchase of property, plant and equipment	(2,003)	(6,727)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	24,016	35,918
Deposits received for disposals of subsidiaries	–	7,092
Acquisition of additional interest in a subsidiary	–	600
Acquisition of investment at fair value through profit or loss	(195)	–
Proceeds on disposal of investment at fair value through profit or loss	1,671	–
	<u>24,146</u>	<u>36,550</u>
Net cash generated from investing activities	<u>24,146</u>	<u>36,550</u>
Cash flows from financing activities		
Proceeds from other borrowings	59,463	21,934
Repayments of other borrowings	(11,201)	(7,204)
New bank borrowings raised	28,899	75,983
Repayments of bank borrowings not related to debt restructuring	(2,203)	(78,310)
Proceeds from issue of bonds	125,815	228,196
Redemption of bonds	(92,670)	(115,274)
Interest paid	(32,381)	(39,564)
Lease interest paid	(458)	–
Repayments of leases liabilities	(10,487)	–
Repayments of obligations under finance leases	–	(161)
Advances from/(repayment to) related parties	2,151	(21,856)
Proceeds from issue of shares	31,259	–
Equity transaction with non-controlling shareholders	3,324	–
Capital injection from a non-controlling shareholder	16,440	–
	<u>117,951</u>	<u>63,744</u>
Net cash generated from financing activities	<u>117,951</u>	<u>63,744</u>
Net decrease in cash and cash equivalents	<u>(8,555)</u>	<u>(45,707)</u>
Cash and cash equivalents at the beginning of the year	14,745	62,286
Effect of changes in foreign exchange rate	(677)	(1,834)
	<u>5,513</u>	<u>14,745</u>
Cash and cash equivalents at the end of the year	<u>5,513</u>	<u>14,745</u>
Analysis of cash and cash equivalents		
Bank and cash balances	3,242	15,591
Bank and cash balances included in assets held for sale	2,271	–
Bank overdraft	–	(846)
	<u>5,513</u>	<u>14,745</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

GTI Holdings Limited (In provisional liquidation for the purpose of restructuring) (the “Company”) was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 9 June, 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office and principal place of business are Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit B, 13/F, Winsan Tower, 98 Thomson Road, Wanchai, Hong Kong, respectively.

The consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are presented in Hong Kong dollars (“HK\$”) which is the same as the functional currency of the Company and all values are rounded to the nearest thousand unless otherwise stated.

2. BASIS OF PREPARATION

Appointment of provisional liquidators

On 26 May 2020, the Company filed a winding up petition (the “Petition”) together with an application for the appointment of joint provisional liquidators (the “JPLs”) of the Company with the Grand Court of the Cayman Islands.

On 28 May 2020 (Cayman time), upon the hearing at the Cayman Court of the JPL Application, an order (the “Order”) in favour of the Company was granted and Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Ms. Claire Marie Loebell of R&H Restructuring (Cayman) Ltd. were appointed as the JPLs (for restructuring purposes) on a light touch approach for restructuring purposes.

The Order provides that for so long as JPLs are appointed to the Company, no suit, action or other proceeding, including criminal proceedings, shall be proceeded with or commenced against the Company except with the leave of the Cayman Court and subject to such terms as the Cayman Court may impose.

The Order also provides that, for the avoidance of any doubt, no payment or disposition of the Company’s property or any transfer of shares or any alteration in the status of the Company’s members shall be made or effected without the direct or indirect approval of the JPLs but no such payment or other disposition or transfer of shares or alteration in the status of the Company’s members made or effected by or with the authority or approval of the JPLs in carrying out their duties and functions and in the exercise of their powers under the Order shall be avoided by virtue of the provisions of section 99 of the Companies Law of the Cayman Islands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. BASIS OF PREPARATION – continued

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$585,613,000 for the year ended 31 December 2019 and as at 31 December 2019, the Group had net current liabilities and net liabilities of approximately HK\$528,366,000 and approximately HK\$492,462,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities as and when they fall due given that (i) the Group will be able to successfully complete the debt restructuring with the creditors; (ii) the Group will be able to raise fund to meet a level sufficient to finance the working capital requirements of the Group; (iii) the Group is actively implementing cost-control and cost saving measures to improve operating cash flows and its financial position and the directors of the Company believe that the performance of the Group will be significantly improved in the forthcoming year.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on the 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 write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs 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.

A. IFRS 16 "Leases"

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 "Leases."

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 IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS – continued

A. IFRS 16 “Leases” – 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. IFRS 16 has been applied and resulted in changes in consolidated amounts reported in the consolidated financial statements as follows:

	As at 1 January 2019 HK\$’000
Increase in right-of-use assets	30,686
Decrease in property, plant and equipment	(472)
Decrease in prepaid land lease payments	(23,591)
Decrease in obligation under a finance lease	517
Increase in lease liabilities	<u>(7,140)</u>

The operating lease commitments disclosed as at 31 December 2018 were HK\$8,179,000, while the lease liabilities recognised as at 1 January 2019 were HK\$7,140,000, of which HK\$3,993,000 were current lease liabilities and HK\$3,147,000 were non-current lease liabilities.

The differences between the operating lease commitments discounted using the lessee’s incremental borrowing rate from 6.09% to 13.86% and the total lease liabilities recognised in the consolidated statement of financial position at the date of initial application of IFRS 16 comprised the exclusion of short-term leases recognised on a straight-line basis as expenses and the inclusion of obligation under a finance lease.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB, 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 investments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with IFRSs 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 5 to the consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

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 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.

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combination and goodwill

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

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

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Associates – continued

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

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

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

Foreign currency translation

(a) *Functional and presentation currency*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currency translation – continued

(c) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the Group'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 translation reserve.

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

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

Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

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 costs less their residual values over the estimated useful lives or annual rate on a straight-line basis. The principal annual rates are as follows:

Buildings	Over the shorter of the term of lease or 20 to 25 years
Plant and machinery	10% – 20%
Furniture and fixtures	4% – 30%
Motor vehicles	30%
Leasehold improvements	12%

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

Construction in progress represents buildings under construction and plant and machinery pending 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Leases

The Group as lessee

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

Land and buildings	20%-51.1%
Land use rights	1.5%-2%
Motor vehicles	30%

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

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

Intangible assets

Technologies

Technologies with useful lives that are acquired through business combination are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of 7 years. The estimate useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Customer relationship

Customer contracts with useful lives that are acquired through business combination are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of 5 years. The estimate useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial assets – continued

(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 investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the 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.

(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.

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

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.

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 IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised 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.

Trade and other payables

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

Equity instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue from contracts with customers – continued

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

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

Other revenue

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(a) *Employee leave entitlements*

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

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

(b) *Pension obligations*

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

(c) *Termination benefits*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

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

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

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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

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

Related parties

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of assets

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

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

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

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

Provisions and contingent liabilities

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

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

Events after the reporting period

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the 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 (i) the Group will be able to successfully complete the debt restructuring with the creditors; (ii) the Group will be able to raise funds to meet a level sufficient to finance the working capital requirements of the Group; (iii) the Group is actively implementing cost-control and cost saving measures to improve operating cash flows and its financial position and the directors of the Company believe that the performance of the Group will be significantly improved in the forthcoming year. Details are explained in note 2 to consolidated financial statements.

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) *Impairment loss of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds their 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.

(b) *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.

(c) *Impairment loss of trade and other receivables, deposits and prepayments*

The Group makes impairment loss of trade and other receivables, deposits and prepayments based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES – continued

Key sources of estimation uncertainty – continued

(d) *Impairment loss of investment in associates*

Investment in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Value-in-use calculations are used for assessing the recoverable amount of these interests. These calculations require use of judgements and estimates.

Management judgement is required for assessing impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related carrying value of investments may not be recoverable; and (ii) whether the carrying value of the investment can be supported by the recoverable amount. Changing the estimations used by management in assessing impairment could materially affect the recoverable amount used in the impairment test and as a result affect the Group's consolidated financial position and consolidated results of operations. At the end of the reporting period, the carrying value of investment in associates was approximately HK\$13,923,000 (2018: HK\$173,643,000). The Group recognised the impairment loss on investment in associates approximately HK\$160,813,000 for the year ended 31 December 2019.

(e) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately HK\$6,000 (2018: HK\$34,317,000). Details of the impairment loss calculation are provided in note 21 to consolidated financial statements. The Group recognised the impairment loss on goodwill approximately HK\$34,311,000 for the year ended 31 December 2019.

(f) *Impairment of intangible assets*

During the year, the Group reconsidered the recoverability of its intangible assets arising from the Group's development, which is included in its consolidated statement of financial position at 31 December 2019 at HK\$18,353,000 (2018: HK\$26,310,000). The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years and with reference to an independent valuation performed by Ravia Global Appraisal Advisory Limited. Key assumptions used by the management in the discounted forecast cash flows calculation of the cash generating unit include budgeted revenue and profit margins. The pre-tax discount rate used for estimating the value in use is 24% (2018: 23%). The impairment test has resulted an impairment loss of HK\$4,080,000.

(g) *Fair value of derivative financial instruments*

As disclosed in note 25 to the consolidated financial statements, the fair values of the derivative financial instruments at the end of the reporting period were based on a valuation conducted by an independent firm of professional valuers using probabilistic flow method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES – continued

Key sources of estimation uncertainty – continued

(h) Allowance for slow-moving inventories

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

(i) Income taxes

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

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity 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

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings as set out in note 33.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China's basic borrowing rate arising from the Group's variable-rate bank borrowings.

As the Group's has no significant variable interest-bearing assets and liabilities, the Group's operating cash flow are substantially independent of changes in market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT – continued

(c) Credit risk

As at 31 December 2019, the carrying amount of the respective financial assets as stated in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

At 31 December, 2019, the Group has a concentration of credit risk in its five largest customers, which accounted for approximately HK\$33,472,000 (2018: HK\$66,453,000) of the Group's trade receivables in aggregate. Management identified such concentration of credit risk by considering (i) the number of counterparties; (ii) similar characteristics of these customers such as garment and apparel retailing and wholesale industry and trading of petroleum; and (iii) the amount of risk exposure associated with the individual debtor. The Group normally grant a credit term of 30 days to 180 days to these customers. By regularly reviewing subsequent settlement of these trade receivables, the directors are of the opinion that the default risks of these trade receivables are being closely monitored. Other than that, the Group does not have any other significant concentration of credit risk.

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:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT – continued

(c) Credit risk – continued

A significant increase in credit risk is presumed if a debtor is more than 7 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 30 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT – continued

(d) Liquidity risk

The Group's current liabilities exceeded its current assets by approximately HK\$528,366,000 as at 31 December 2019 and the Group recorded a loss of approximately HK\$632,759,000 for the year ended 31 December 2019. The Group is exposed to liquidity risk if it is not able to raise sufficient fund to meet its financial obligations.

The directors of the Company have given careful consideration to the future liquidity of the Group, details of which are set out in note 2.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause and amounts being demanded by the banks for immediate repayment (as at 31 December 2019) are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT – continued

(d) Liquidity risk – continued

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

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
31 December 2019					
Trade and other payables	271,944	–	–	–	271,944
Amounts due to a related party	5,095	–	–	–	5,095
Bank borrowings					
– Variable rate	35,356	48,204	–	–	83,560
Bond, bank and other borrowings					
– Fixed rate	400,646	59,889	72,908	179,300	712,743
	<u>713,041</u>	<u>108,093</u>	<u>72,908</u>	<u>179,300</u>	<u>1,073,342</u>
	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 HK\$'000
31 December 2018					
Trade and other payables	157,947	–	–	–	157,947
Amounts due to a related party	2,944	–	–	–	2,944
Bank borrowings					
– Variable rate	83,495	–	–	–	83,495
Bond and other borrowings					
– Fixed rate	358,829	12,778	70,147	86,800	528,554
Bank overdrafts	846	–	–	–	846
Obligations under finance leases	160	160	240	–	560
	<u>604,221</u>	<u>12,938</u>	<u>70,387</u>	<u>86,800</u>	<u>774,346</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT – continued

(e) Categories of financial instruments

	2019 HK\$'000	2018 HK\$'000
Financial assets:		
Derivative financial instruments	37,520	1,412
Investments at fair value through profit or loss:		
– Mandatorily measured	–	2,199
Equity investments at fair value through other comprehensive income	–	5,414
Financial assets at amortised cost (including cash and cash equivalents)	229,936	176,570
Financial liabilities:		
Financial liabilities at amortised cost	<u>888,594</u>	<u>681,300</u>

(f) Fair values

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

7. 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

7. FAIR VALUE MEASUREMENTS – continued

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

	Fair value measurements using			Total HK\$'000
	Level 1: HK\$'000	Level 2: HK\$'000	Level 3: HK\$'000	
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income	-	-	-	-
Derivative financial instruments	-	-	37,520	37,520
Total recurring fair value measurements	-	-	37,520	37,520

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

	Fair value measurements using			Total HK\$'000
	Level 1: HK\$'000	Level 2: HK\$'000	Level 3: HK\$'000	
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income	-	-	5,414	5,414
Investments at fair value through profit or loss	2,199	-	-	2,199
Derivative financial instruments	-	-	1,412	1,412
Total recurring fair value measurements	2,199	-	6,826	9,025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7. FAIR VALUE MEASUREMENTS – continued

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

	Equity investments at fair value through other comprehensive income HK\$'000	Derivative financial instruments HK\$'000	Total HK\$'000
At 1 January 2018	85,054	–	85,054
Acquisition of subsidiaries	569	1,412	1,981
Fair value gain recognised in other comprehensive income	1,275	–	1,275
Fair value gain recognised in profit or loss (#)	1,786	–	1,786
Transfer to investment in associates	(83,270)	–	(83,270)
At 31 December 2018 and 1 January 2019	5,414	1,412	6,826
Fair value loss recognised in other comprehensive income	(5,414)	–	(5,414)
Fair value gain recognised in profit or loss (#)	–	36,108	36,108
At 31 December 2019	–	37,520	37,520
(#) Include gains or losses for assets held at 2019	–	36,108	–
(#) Include gains or losses for assets held at 2018	–	–	–

As at 31 December 2019, equity investment at fair value through other comprehensive income of approximately HK\$Nil (2018: HK\$5,414,000) was valued by reference to a Level 3 fair value measurement using discounted cash flows based on unobservable inputs including growth rates, operating margin and discount rate which is a pre-tax rate taking into account the risks specific to the equity investment at fair value through other comprehensive income. Where there was material change in the fair value of equity investment at fair value through other comprehensive income, the cause of the fluctuations would be reported to the management of the Group.

An increase in the growth rates and operating margin used in discounted cash flows would result in increase in the carrying amount of the equity investment at fair value through other comprehensive income, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7. FAIR VALUE MEASUREMENTS – continued

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

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

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	2019 HK\$'000	2018 HK\$'000
Unlisted equity securities, classified as Equity investments at fair value through other comprehensive income	Assets approach	Net assets	N/A	Increase	-	5,414
Derivative financial instruments, profit guarantee	Income approach	Probabilities	5%	Increase	37,520	1,412

8. REVENUE

Revenue represents the amounts received and receivable for goods sold excluding value added taxes, less returns and allowances and services provided by the Group to outside customers during the year.

	2019 HK\$'000	2018 HK\$'000
Production, sale and trading of textile products	147,946	285,551
Trading of petroleum	215,551	324,763
Trading of chemical products	303,076	-
Provision of financial services	438	738
RMB banknotes clearing up services and others	37,345	-
Revenue from contracts with customers	<u>704,356</u>	<u>611,052</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. REVENUE – continued

Disaggregation of revenue from contracts with customers:

	Trading of chemical products HK\$'000	RMB banknotes clearing up services and others HK\$'000	Production, sale and trading of textile products HK\$'000	Trading of petroleum products HK\$'000	Provision of financial services HK\$'000	Total HK\$'000
For the year ended 31 December 2019						
Geographical markets						
PRC	303,076	37,345	4,788	–	–	345,209
Hong Kong	–	–	27,131	215,551	438	243,120
Other Asian countries	–	–	17,941	–	–	17,941
Europe	–	–	49,196	–	–	49,196
North America	–	–	48,890	–	–	48,890
	<u>303,076</u>	<u>37,345</u>	<u>147,946</u>	<u>215,551</u>	<u>438</u>	<u>704,356</u>
Timing of revenue recognition						
At a point in time	303,076	37,345	147,946	215,551	41	703,959
Over time	–	–	–	–	397	397
	<u>303,076</u>	<u>37,345</u>	<u>147,946</u>	<u>215,551</u>	<u>438</u>	<u>704,356</u>

	Production, sale and trading of textile products HK\$'000	Trading of petroleum products HK\$'000	Provision of financial services and others HK\$'000	Total HK\$'000
For the year ended 31 December 2018				
Geographical markets				
PRC	67,697	–	244	67,941
Hong Kong	16,961	324,381	494	341,836
Other Asian countries	9,938	382	–	10,320
Europe	172,842	–	–	172,842
North America	18,113	–	–	18,113
	<u>285,551</u>	<u>324,763</u>	<u>738</u>	<u>611,052</u>
Timing of revenue recognition				
At a point in time	285,551	324,763	447	610,761
Over time	–	–	291	291
	<u>285,551</u>	<u>324,763</u>	<u>738</u>	<u>611,052</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. REVENUE – continued

Production, sale and trading of textile products

The Group produces, sells and trades textile products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products. Sales to customers are normally made with credit terms of 30 to 120 days.

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.

Trading of petroleum

The Group trades of petroleum to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products. Sales to customers are normally made with credit terms of 180 days.

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.

Trading of chemical products

The Group trades of chemical products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products. Sales to customers are normally made with credit terms of 70 to 75 days.

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.

Provision of financial services and others

Management fee and performance fee of assets management contract is recognised on a monthly and quarterly basis, respectively, when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The Management fee and performance fee are due on the end of each month and quarter, respectively.

RMB banknotes clearing up services and others

The Group provides one-stop professional financial outsourcing services for the branches of the People's Bank of China and its local commercial banks in Mainland China. Revenue is recognised when the services are rendered. The amount for which can be reliably estimated and it is probable that the income will be received. The services fees are due on the end of each month.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

For the year ended 31 December 2019 and 2018, the Group has four operating and reportable segments, namely (i) Production, sale and trading of textile products, (ii) Trading of petroleum and chemical products, (iii) Provision of financial services and (iv) RMB banknotes clearing up services and others.

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 4. Segment loss represents the loss before taxation of each segment without allocation of share of result of associates, central administration costs, directors’ salaries, finance cost, interest revenue, other income and other gains and losses not attributable to segment loss. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources among segments, all assets and liabilities are allocated to operating segments on the basis of the revenue earned by individual reportable segments. Segment assets exclude investment in associates, equity investments at fair value through other comprehensive income, investments at fair value through profit or loss, tax recoverable, deposits and prepayments, assets classified as held for sale, bank balances and cash, and unallocated corporate assets while segment liabilities exclude bank and other borrowings, bank overdrafts, amounts due to former related parties/related parties, current and deferred tax liabilities, lease liabilities/obligations under finance leases, liabilities associated with assets classified as held for sale, and unallocated corporate liabilities. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. SEGMENT INFORMATION – continued

Segment revenue and results

For the year ended 31 December 2019

	RMB banknotes clearing up services and others HK\$'000	Production, sale and trading of textile products HK\$'000	Trading of petroleum and chemical product HK\$'000	Provision of financial services HK\$'000	Total HK\$'000
Revenue	<u>37,345</u>	<u>147,946</u>	<u>518,627</u>	<u>438</u>	<u>704,356</u>
Segment (loss)/profit	<u>145</u>	<u>(178,446)</u>	<u>(53,281)</u>	<u>(2,890)</u>	(234,472)
Unallocated expenses					(104,330)
Interest revenue					647
Other income					4,977
Other gains and losses					(165,096)
Finance costs					(129,877)
Share of result of associates					<u>(942)</u>
Loss before tax					<u>(629,093)</u>

For the year ended 31 December 2018

	RMB banknotes clearing up services and others HK\$'000	Production, sale and trading of textile products HK\$'000	Trading of petroleum and chemical product HK\$'000	Provision of financial services HK\$'000	Total HK\$'000
Revenue	<u>–</u>	<u>285,551</u>	<u>324,763</u>	<u>738</u>	<u>611,052</u>
Segment (loss)/profit	<u>–</u>	<u>(154,529)</u>	<u>1,074</u>	<u>(5,278)</u>	(158,733)
Unallocated expenses					(50,992)
Interest revenue					63
Other income					7,917
Other gains and losses					14,112
Finance costs					<u>(87,049)</u>
Loss before tax					<u>(274,682)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. SEGMENT INFORMATION – continued

Segment assets and liabilities

As at 31 December 2019

	RMB banknotes clearing up services and others HK\$'000	Production, sale and trading of textile products HK\$'000	Trading of petroleum and chemical product HK\$'000	Total HK\$'000
Segment assets	<u>219,454</u>	<u>158,154</u>	<u>28,188</u>	405,796
Assets classified as held for sale				9,054
Investment in associates				13,923
Unallocated corporate assets				<u>22,407</u>
Consolidated total assets				<u>451,180</u>
Segment liabilities	<u>28,109</u>	<u>124,177</u>	<u>1,548</u>	153,834
Bank and other borrowings				611,555
Amounts due to a former related party/related party				26,045
Current and deferred liabilities				18,277
Liabilities associated with assets classified as held for sale				23,456
Unallocated corporate liabilities				<u>110,475</u>
Consolidated total liabilities				<u>943,642</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. SEGMENT INFORMATION – continued

Segment assets and liabilities – continued

As at 31 December 2018

	RMB banknotes clearing up services and others HK\$'000	Production, sale and trading of textile products HK\$'000	Trading of petroleum and chemical product HK\$'000	Provision of financial services HK\$'000	Total HK\$'000
Segment assets	<u>137,958</u>	<u>274,980</u>	<u>54,328</u>	<u>132</u>	467,398
Equity investments at fair value through other comprehensive income					5,414
Investment at fair value through profit or loss					2,199
Assets classified as held for sale					20,823
Tax recoverable					1,659
Investment in associates					173,643
Unallocated corporate assets					<u>123,328</u>
Consolidated total assets					<u>794,464</u>
Segment liabilities	<u>14,495</u>	<u>97,086</u>	<u>2,489</u>	<u>8</u>	114,078
Bank and other borrowings					519,563
Bank overdrafts					846
Amounts due to former related parties/related parties					23,894
Current and deferred liabilities					18,743
Obligations under finance leases					517
Liabilities associated with assets classified as held for sale					20,110
Unallocated corporate liabilities					<u>32,240</u>
Consolidated total liabilities					<u>729,991</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. SEGMENT INFORMATION – continued

Other segment information

For the year ended 31 December 2019

	RMB banknotes clearing up services and others HK\$'000	Production, sale and trading of textile products HK\$'000	Trading of petroleum and chemical product HK\$'000	Provision of financial services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Addition to non-current assets (Note)	1,632	370	–	–	1	2,003
Depreciation of property, plant and equipment	5,167	19,505	4	20	–	24,696
Amortisation of intangible assets	3,877	–	–	–	–	3,877
Depreciation of right-of-use assets	81	4,678	320	592	–	5,671
Gain on disposal/written off of property, plant and equipment	–	9	–	–	–	9
Gain/(loss) on disposal of a subsidiary	–	4,469	–	(12,451)	–	(7,982)
Impairment losses recognised on property, plant and equipment	2,681	39,725	–	–	–	42,406
Impairment losses recognised on goodwill	34,311	–	–	–	–	34,311
Impairment losses recognised on right-of-use assets	1,071	1,527	–	–	–	2,598
Impairment losses recognised on intangible assets	4,080	–	–	–	–	4,080
Impairment loss recognised on investment in an associate	–	–	–	–	160,813	160,813
Impairment losses recognised on trade and other receivables, net	8,694	1,572	78,521	–	64,528	153,315
Impairment loss on deposit paid for acquisition of land use right and property, plant and equipment	–	–	–	–	5,230	5,230
Write-down of inventories	–	14,091	–	–	–	14,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31 December 2018

	RMB banknotes clearing up services and others HK\$'000	Production, sale and trading of textile products HK\$'000	Trading of petroleum and chemical product HK\$'000	Provision of financial services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Addition to non-current assets (Note)	44,598	1,177	–	–	324	46,099
Depreciation of property, plant and equipment	–	36,208	2	46	1,136	37,392
Amortisation of prepaid lease payments	–	916	–	–	–	916
Loss on disposal/written off of property, plant and equipment	–	12,085	–	–	–	12,085
Gain on disposal of a subsidiary	–	–	–	–	13,273	13,273
Loss on fair value changes of investment at fair value through profit or loss	–	–	–	–	839	839
Impairment losses recognised on property, plant and equipment and prepaid lease payments	–	34,833	–	–	–	34,833
Impairment losses recognised on trade and other receivables	–	–	–	–	1,333	1,333
Write-down of inventories	–	1,773	–	–	–	1,773

Note: Non-current assets excluded goodwill, investment in associates and financial assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. SEGMENT INFORMATION – continued

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers in note 8 and information about its non-current assets by geographical location of the assets are detailed below:

	Non-current assets	
	2019 HK\$'000	2018 HK\$'000
PRC	117,636	166,361
Hong Kong	7,379	7,955
Other Asian countries	55,617	80,067
	<u>180,632</u>	<u>254,383</u>

Notes:

- (i) Non-current assets excluded goodwill, investment in associates, deferred tax assets and financial assets.

Information about major customers

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

	2019 HK\$'000	2018 HK\$'000
Customer A from segment of trading of petroleum and chemical product*	64,509	140,972
Customer B from segment of trading of textile products*	34,428	86,906
Customer C from segment of trading of petroleum and chemical product*	41,594	61,668
Customer D from segment of trading of petroleum and chemical product	103,888	–
Customer E from segment of trading of petroleum and chemical product	73,489	–

- * Revenue from these customers did not exceed 10% of total revenue for the year. These amounts were shown for comparative purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. OTHER INCOME

	2019 HK\$'000	2018 HK\$'000
Income from sales of scrap materials	425	3,168
Sundry income	4,552	4,749
	<u>4,977</u>	<u>7,917</u>

11. OTHER GAINS AND LOSSES

	2019 HK\$'000	2018 HK\$'000
Gain on disposal of subsidiaries (note 39)	(7,982)	13,273
Loss on disposal of investments at fair value through profit or loss	(723)	–
Gain on fair value changes of investments at fair value through profit or loss	–	839
Net exchange gain	755	340
Gain/(loss) on disposal/written off of property, plant and equipment	9	(12,085)
Loss on extinguishing financial liabilities with equity instruments	(1,333)	–
Fair value on derivative financial instruments	48,239	–
Impairment losses recognised in respect of property, plant and equipment	(42,406)	(34,833)
Impairment losses recognised on trade and other receivables, net	(153,315)	(1,333)
Impairment losses recognised on goodwill	(34,311)	–
Impairment losses recognised on right-of-use assets	(2,598)	–
Impairment losses recognised on intangible assets	(4,080)	–
Impairment losses recognised on investment in associates	(160,813)	–
Impairment loss on deposit paid for acquisition of land use right and property, plant and equipment	(5,230)	–
Gain on fair value changes on modification of other borrowings	5,031	–
	<u>(358,757)</u>	<u>(33,799)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on bank and other borrowings	129,419	87,020
Interest on finance leases	–	29
Interest on lease liabilities	458	–
	<u>129,877</u>	<u>87,049</u>

13. INCOME TAX EXPENSE

	2019 HK\$'000	2018 HK\$'000
Hong Kong Profits Tax:		
– Current tax	2,176	241
– Overprovision in prior years	–	(30)
Deferred tax (note 36)	1,490	531
	<u>3,666</u>	<u>742</u>

For the year ended 31 December 2019 and 2018, Hong Kong Profits Tax is calculated under two-tier profits tax system where the first HK\$2 million of estimated assessable profits is taxed at a reduced rate of 8.25% and the remaining of estimated assessable profits is taxed at 16.5%.

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

Under the Law of the Cambodian Income Tax, the tax rate of the Cambodia subsidiaries is 20%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. INCOME TAX EXPENSE – continued

The tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK\$'000	2018 HK\$'000
Loss before tax	<u>(629,093)</u>	<u>(274,682)</u>
Taxation at the domestic income tax rate of 16.5%	(103,800)	(45,323)
Effect of different tax rates of subsidiaries	(3,117)	–
Tax effect of income not taxable and expenses not deductible for tax purpose	56,735	(6,917)
Overprovision in prior years	–	(30)
Tax effect of tax losses not recognised	53,848	56,745
Utilisation of tax losses previously not recognised	<u>–</u>	<u>(3,733)</u>
	<u>3,666</u>	<u>742</u>

14. LOSS FOR THE YEAR

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

	2019 HK\$'000	2018 HK\$'000
Auditor's remuneration	1,900	1,900
Cost of inventories sold	735,299	618,282
Write-down of inventories (included in cost of sales)	14,091	1,773
Depreciation of property, plant and equipment	24,696	37,392
Amortisation of prepaid lease payments	–	916
Depreciation of right-of-use assets	5,671	–
Operating lease charges	–	6,855
Expenses related to short-term leases	1,016	–
Directors' remuneration (note 15)	5,509	5,010
Other staff costs	44,260	132,241
Retirement benefits scheme contributions, excluding directors	1,789	4,502
Total staff costs	<u>51,558</u>	<u>141,753</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

For the year ended 31 December 2019

		Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive Director						
Mr. Poon Sum		-	3,000	-	18	3,018
Mr. Cheung Tat Chung	(iii)	-	580	-	11	591
Mr. Ng Kwok Hung, Perry	(i)	-	330	-	13	343
Mr. Hao Xiangbin	(ii)	-	600	-	-	600
Mr. Huang Bin	(iv)	-	197	-	-	197
Non-Executive Director						
Mr. Sui Fuxiang	(v)	40	-	-	-	40
Independent						
Non-Executive Director						
Mr. Chan Shu Kin		240	-	-	-	240
Dr. Tse Kwok Sang		240	-	-	-	240
Mr. Chiu Wai Piu		240	-	-	-	240
Total		760	4,707	-	42	5,509

For the year ended 31 December 2018

		Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive Director						
Mr. Poon Sum		-	3,240	-	9	3,249
Mr. Cheung Tat Chung		-	960	-	9	969
Mr. Ng Kwok Hung, Perry	(i)	-	69	-	3	72
Independent						
Non-Executive Director						
Mr. Chan Shu Kin		240	-	-	-	240
Dr. Tse Kwok Sang		240	-	-	-	240
Mr. Chiu Wai Piu		240	-	-	-	240
Total		720	4,269	-	21	5,010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – continued

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were paid for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

The bonus payment for current year was determined regarding to the performance at the discretion of the remuneration committee.

Notes:

- (i) Appointed as a director on 17 September 2018.
- (ii) Appointed as a director on 11 January 2019.
- (iii) Resigned as a director on 31 July 2019.
- (iv) Appointed as a director on 3 September 2019.
- (v) Appointed as a director on 1 November 2019.

The five highest paid employees during the year included one (2018: one) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining four (2018: four) non-director, highest paid employees for the year are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other benefits	4,226	4,402
Bonus	–	76
Retirement benefits scheme contributions	50	71
	<u>4,276</u>	<u>4,549</u>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
Below HK\$1,000,000	3	1
HK\$1,000,001 to HK\$1,500,000	1	3
	<u>1</u>	<u>3</u>

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

16. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the loss for the year attributable to the owners of the Company of approximately HK\$585,613,000 (2018: HK\$275,391,000) and on the weighted average number of shares in issue during the year of approximately 6,232,086,000 (2018: 5,408,182,000).

No diluted loss per share is presented as the Company had no potential ordinary shares outstanding during any time in both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost							
At 1 January 2018	338,577	439,732	12,418	13,042	6,787	38,194	848,750
Exchange adjustments	(8,900)	(8,369)	(237)	(297)	(223)	(1,760)	(19,786)
Additions	–	1,167	98	–	236	–	1,501
Acquisition of subsidiaries	–	14,918	19	52	3,299	–	18,288
Disposal/written off	(12,700)	(88,326)	(1,974)	(5,238)	(6,117)	–	(114,355)
Disposal of subsidiaries	–	–	–	–	–	(21,565)	(21,565)
Reclassified as held for sale	(5,621)	(112)	(382)	(292)	–	–	(6,407)
At 31 December 2018 and 1 January 2019	311,356	359,010	9,942	7,267	3,982	14,869	706,426
Exchange adjustments	1,021	32	50	23	(26)	134	1,234
Additions	–	1,264	89	–	650	–	2,003
Disposal/written off	–	–	(3)	(280)	–	–	(283)
Disposal of subsidiaries	(87,558)	(30,061)	(3,512)	(1,833)	–	(9,301)	(132,265)
Reclassified to right-of-use assets	–	–	–	(699)	–	–	(699)
At 31 December 2019	224,819	330,245	6,566	4,478	4,606	5,702	576,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. PROPERTY, PLANT AND EQUIPMENT – continued

	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Accumulated depreciation							
At 1 January 2018	224,625	308,463	10,180	11,689	6,513	11,041	572,511
Exchange adjustments	(4,958)	(6,705)	(211)	(542)	–	(2,280)	(14,696)
Provided for the year	13,212	22,562	661	537	420	–	37,392
Eliminated on disposal/written off	(4,813)	(76,259)	(1,324)	(5,238)	(6,117)	–	(93,751)
Eliminated on disposal of subsidiaries	–	–	–	–	–	(12,327)	(12,327)
Impairment losses recognised in profit or loss	17,590	7,789	–	76	–	9,378	34,833
Reclassified as held for sale (note 30)	<u>(3,150)</u>	<u>(112)</u>	<u>(333)</u>	<u>(292)</u>	<u>–</u>	<u>–</u>	<u>(3,887)</u>
At 31 December 2018 and 1 January 2019							
1 January 2019	242,506	255,738	8,973	6,230	816	5,812	520,075
Exchange adjustments	1,140	(116)	50	22	(27)	1	1,070
Provided for the year	5,559	16,564	553	296	1,724	–	24,696
Eliminated on disposal/written off	–	–	(2)	(280)	–	–	(282)
Eliminated on disposal of subsidiaries	(87,558)	(27,380)	(3,478)	(1,778)	–	(111)	(120,305)
Reclassified to right-of-use assets	–	–	–	(227)	–	–	(227)
Impairment losses recognised in profit or loss	<u>22,334</u>	<u>19,608</u>	<u>6</u>	<u>5</u>	<u>453</u>	<u>–</u>	<u>42,406</u>
At 31 December 2019	<u>183,981</u>	<u>264,414</u>	<u>6,102</u>	<u>4,268</u>	<u>2,966</u>	<u>5,702</u>	<u>467,433</u>
Carrying amount							
At 31 December 2019	<u>40,838</u>	<u>65,831</u>	<u>464</u>	<u>210</u>	<u>1,640</u>	<u>–</u>	<u>108,983</u>
At 31 December 2018	<u>68,850</u>	<u>103,272</u>	<u>969</u>	<u>1,037</u>	<u>3,166</u>	<u>9,057</u>	<u>186,351</u>

At 31 December 2018, the carrying value of motor vehicles includes an amount of approximately HK\$472,000 in respect of assets held under finance leases. At 1 January 2019, the carrying amount of finance lease assets of approximately HK\$472,000 was reclassified to right-of-use assets in accordance to IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. PROPERTY, PLANT AND EQUIPMENT – continued

Note:

- (i) At 31 December 2019, the directors of the Company conducted reviews of the recoverable amounts of the Group's property, plant and equipment under the segment of RMB banknotes clearing up services in PRC based due to the CGUs impairment assessment, the details impairment assessment refer to note 21.

At 31 December 2019, the directors of the Company conducted reviews of the recoverable amounts of the Group's property, plant and equipment under the segment of production, sale and trading of textile products in Cambodia due to the recurring operating loss from the Group's textile business. The Group recognised the impairment loss on investment in associates approximately HK\$39,725,000 for the year ended 31 December 2019.

19. PREPAID LEASE PAYMENTS

	2019 HK\$'000	2018 HK\$'000
Analysed for reporting purpose as:		
Non-current asset	–	23,005
Current asset	–	586
	<u>–</u>	<u>23,591</u>

As at 1 January 2019, prepaid lease payments of approximately HK\$23,591,000 were reclassified to right-of-use assets in accordance with IFRS16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. RIGHT-OF-USE ASSETS

	2019 HK\$'000
At 31 December:	
Right-of-use assets	
– Land use rights	10,879
– Land and buildings	1,368
– Moter vehicles	784
	<u>13,031</u>
Lease commitments of short-term leases	<u>16</u>
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
– Less than 1 year	2,774
– Between 1 and 2 years	868
– Between 2 and 5 years	504
	<u>4,146</u>
Year ended 31 December:	
Depreciation charge of right-of-use assets	
– Land use rights	4,371
– Land and buildings	939
– Moter vehicle	361
	<u>5,671</u>
Lease interests	<u>458</u>
Expenses related to short-term leases	<u>1,016</u>
Total cash outflow for leases	<u>11,961</u>
Additions to right-of-use assets	<u>9,386</u>
Impairment losses recognised on right-of-use assets	<u>2,598</u>

At 31 December 2019, the directors of the Company conducted reviews of the recoverable amounts of the Group's right-of-use assets under the segment of RMB banknotes clearing up services in PRC based due to the CGUs impairment assessment, the details impairment assessment refer to note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

21. GOODWILL

	HK\$'000
At 1 January 2018	14,553
Arising on acquisition of subsidiaries	34,317
Transfer to assets held for sale (note 30)	<u>(14,553)</u>
At 31 December 2018 and 1 January 2019	34,317
Impairment losses recognised in profit or loss	<u>(34,311)</u>
At 31 December 2019	<u>6</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (“CGUs”) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2019 HK\$'000	2018 HK\$'000
RMB banknotes clearing up services and others		
– Jiu Zhou Financial Group Co., Limited and its subsidiaries	–	33,679
– 大慶市鴻易盛科技開發有限公司	6	6
– 中山暗溯服飾有限公司	–	<u>632</u>
	<u>6</u>	<u>34,317</u>

The recoverable amounts of the CGUs of RMB banknotes clearing up services is approximately HK\$71,900,000 are determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years and with reference to an independent valuation performed by Ravia Global Appraisal Advisory Limited. Key assumptions used by the management in the discounted forecast cash flows calculation of the cash generating unit include budgeted revenue and profit margins. The pre-tax discount rate used for estimating the value in use is 24% (2018: 23%). The Group recognised the impairment loss on property, plant and equipment approximately HK\$2,681,000, impairment loss on right-of-use assets approximately HK\$1,071,000 and impairment loss on intangible assets approximately HK\$4,080,000 for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. INTANGIBLE ASSETS

	Technology HK\$'000	Customer relationship HK\$'000	Total HK\$'000
Cost			
At 1 January 2018	–	–	–
Acquisition of subsidiaries	12,187	14,123	26,310
At 31 December 2018, 1 January 2019 and 31 December 2019	12,187	14,123	26,310
Accumulated amortisation and impairment losses			
At 1 January 2018, 31 December 2018 and 1 January 2019	–	–	–
Amortisation for the year	1,523	2,354	3,877
Impairment loss	1,939	2,141	4,080
At 31 December 2019	3,462	4,495	7,957
Carrying amount			
At 31 December 2019	8,725	9,628	18,353
At 31 December 2018	12,187	14,123	26,310

Customers relationship represents the long-term business relationships with its key customers. The average remaining amortisation period of the customer relationship is 4 years (2018: 5 years).

The technologies for RMB coins clearing machine system were recognised as part of the acquisition of the RMB banknotes clearing up services business and were recognised at their fair value at the date of acquisition. The average remaining amortisation period of the technology is 6 years (2018: 7 years).

At 31 December 2019, the directors of the Company conducted reviews of the recoverable amounts of the Group's intangible assets under the segment of RMB banknotes clearing up services in PRC based due to the CGUs impairment assessment, the details impairment assessment refer to note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. INVESTMENT IN ASSOCIATES

	2019 HK\$'000	2018 HK\$'000
Unlisted investment:		
Share of net assets	107,287	106,194
Goodwill	67,449	67,449
Impairment loss	(160,813)	–
	<u>13,923</u>	<u>173,643</u>

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 IFRS financial statements of the associate.

Name	Coulman International Limited	
	2019 HK\$'000	2018 HK\$'000
Principal place of business/country of incorporation	PRC/BVI	PRC/BVI
% of ownership interests/voting rights held by the Group	27%	27%
At 31 December:		
Non-current assets	714,357	725,408
Current assets	211,853	116,342
Non-current liabilities	(272,672)	(178,988)
Current liabilities	(263,535)	(269,450)
Net assets	<u>390,003</u>	<u>393,312</u>
Group's share of net assets	105,301	106,194
Goodwill	67,449	67,449
Impairment loss	(160,813)	–
Group's share of carrying amount of interests	<u>11,937</u>	<u>173,643</u>
Year ended 31 December:		
Revenue	<u>452,225</u>	<u>424,571</u>
(Loss)/profit from continuing operations	<u>(1,855)</u>	<u>22,031</u>
Profit after tax from discontinued operations	<u>–</u>	<u>–</u>
Other comprehensive loss	<u>(1,454)</u>	<u>(4,925)</u>
Total comprehensive (loss)/income	<u>(3,309)</u>	<u>17,106</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. INVESTMENT IN ASSOCIATES – continued

The associate principally engaged in natural gas pipeline construction, operation, management, natural gas sales and natural gas business consulting services.

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2019 HK\$'000	2018 HK\$'000
At 31 December		
Carrying amounts of interests	<u>1,986</u>	<u>–</u>
Year ended 31 December:		
Loss from continuing operations	<u>(441)</u>	<u>–</u>
Profit after tax from discontinued operations	<u>–</u>	<u>–</u>
Other comprehensive loss	<u>–</u>	<u>–</u>
Total comprehensive loss	<u>(441)</u>	<u>–</u>

As at 31 December 2019, the bank and cash balances of the Group' associates in the PRC denominated in RMB amounted to HK\$23,344,000 (2018:HK\$8,956,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK\$'000	2018 HK\$'000
Unlisted securities		
– 上海羨鴻文化藝術發展有限公司, at fair value	–	569
– National Asia Group Limited (the "National Asia"), at fair value	<u>–</u>	<u>4,845</u>
	<u>–</u>	<u>5,414</u>

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 profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25. DERIVATIVE FINANCIAL INSTRUMENTS

Profits guarantee arrangement

According to the supplemental agreement of sale and purchase agreement dated 24 December 2018, there was an arrangement of profit guarantee whereas the vendor irrevocably and unconditionally warrants and guarantees to Group that the audited consolidated net profit after tax of 中晟匯裕科技服務有限公司 and its subsidiaries for the year ended 31 December 2019 shall not be less than RMB23,000,000 and for the financial years ending 31 December 2020 and 31 December 2021 shall not be less than RMB28,000,000 and RMB34,000,000 (the "Guaranteed Profits") respectively. The vendor has agreed to provide a profit guarantee in favour of Group, and Mr. Hao Xiangbin, the director of the Company, has agreed to act as the guarantor to guarantee.

In the event that the actual audited profits of the relevant year shall be less than the relevant Guaranteed Profit, the vendor shall compensate the Group for the sum being calculated as shortfall of the actual profit (i.e. the Guaranteed Profit less actual audited profit) multiplied by 66%. The Group was entitled to compensation from profit guarantee of approximately HK\$12,131,000 as at 31 December 2019, which was recorded in other receivable.

The fair value of the profit guarantee was approximately HK\$37,520,000 as at 31 December 2019, which was determined by the directors of the Company by reference to the valuation performed by Ravia Global Appraisal Advisory Limited, an independent professional valuer to the Group, based on probabilistic flow method in which the cash flow for each year represents the difference between the guaranteed profit and the projected net profit. The directors of the Company estimated the projected net profits of the acquired group under two different scenarios with respective scenario probabilities. The fair value of the profit guarantee was the probability-weighted average of the present values of the shortfalls between the guaranteed profits and the projected net profits under the two scenarios.

26. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$'000	2018 HK\$'000
Equity securities listed in Australia, at fair value	—	2,199

27. INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Raw materials	273	4,492
Work in progress	—	9,854
Finished goods	3,135	12,082
	<u>3,408</u>	<u>26,428</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK\$'000	2018 HK\$'000
Trade receivables (note i)	51,116	115,012
Refundable deposit paid for acquisition of an investment (note ii)	–	22,000
Amount due from National Asia (note iii)	–	4,632
Refundable deposits paid for potential investments (note iv)	–	48,335
Prepayment of petroleum trading business	–	36,937
Prepaid expenses	2,410	6,121
VAT receivables	1,984	2,198
Deposits	7,306	6,638
Interest receivables	51	51
Receivable in relation to profit guarantee (note 25)	11,907	–
Others (note v)	156,314	12,646
	<u>231,088</u>	<u>254,570</u>
Less: Amount to be received after 12 months (shown as non-current assets)	<u>(27,693)</u>	<u>–</u>
Amounts shown as current assets	<u>203,395</u>	<u>254,570</u>

Note:

(i)

	2019 HK\$'000	2018 HK\$'000
Trade receivables	99,027	115,012
Provision for loss allowance	<u>(47,911)</u>	<u>–</u>
Carrying amount	<u>51,116</u>	<u>115,012</u>

The Group generally allows credit period ranged from 30 days to 180 days to its trade customers. Before accepting any new customer, the Group will assess and understand the potential customer's credit quality and define its credit limits. Credit limits attributed to each customer are reviewed regularly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

Note: – continued

(i)

Aged analysis of trade receivables is presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, are as follows:

	2019 HK\$'000	2018 HK\$'000
0-30 days	5,295	16,783
31 – 60 days	2,449	8,948
61 – 90 days	3,317	7,361
91 – 120 days	1,156	9,805
121-180 days	2,203	32,475
181 – 365 days	12,639	39,598
Over 365 days	24,057	42
	<u>51,116</u>	<u>115,012</u>

Movement in the allowance for doubtful debts

	2019 HK\$'000	2018 HK\$'000
At 1 January	–	–
Allowance recognised on trade receivables	47,903	–
Exchange adjustments	8	–
	<u>47,911</u>	<u>–</u>
At 31 December	47,911	–

The Group applies the simplified approach under IFRS 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 HK\$'000	Over 30 days past due HK\$'000	Over 60 days past due HK\$'000	Over 120 days past due HK\$'000	Total HK\$'000
At 31 December 2019					
Weighted average expected loss rate	1.51%	2.74%	4.83%	54.28%	48.38%
Receivable amount	5,376	2,518	3,457	87,676	99,027
Loss allowance	<u>81</u>	<u>69</u>	<u>167</u>	<u>47,594</u>	<u>47,911</u>
At 31 December 2018					
Weighted average expected loss rate	–	–	–	–	–
Receivable amount	79,178	4,241	1,015	30,578	115,012
Loss allowance	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

Note: – continued

- (ii) On 30 June 2016, the Group has entered into a formal sale and purchase agreement with Kai Lian Group Limited (“Kai Lian”) to acquire 22% equity interest in Coulman International at a consideration of HK\$160,000,000, which is to be partially settled by the refundable deposit of HK\$40,000,000 paid in 2015 and the remaining balance of HK\$120,000,000 in cash and/or issue of the promissory notes by the Company to Kai Lian.

On 31 December 2016, the Company has announced that the said formal sale and purchase agreement has lapsed due to certain conditions precedent not yet been fulfilled or waived by the Group on or before 31 December 2016. Pursuant to a settlement agreement entered into by the Group with Kai Lian on 21 March 2017, the said deposit is secured by the 38% of the issued share capital of Coulman International owned by Kai Lian and held under custody for the benefits of the Group before the full amount has been settled by Kai Lian. As agreed by the Group and Kai Lian, the above refundable deposit of HK\$40,000,000 would be refunded to the Group by installments in 2017.

During the year ended 31 December 2017, HK\$18,000,000 has been refunded by Kai Lian. The outstanding refundable deposits paid for acquisition of an investment of HK\$22,000,000 is secured by 38% of the issued share capital of Coulman International owned by Kai Lian is continued to be held under custody for the benefits of the Group before the full settlements of these amounts.

During the year ended 31 December 2019, the amount is fully impaired.

- (iii) The amount is unsecured, interest-free and repayable on demand. The amount is fully impaired during the year ended 31 December 2019.
- (iv) The balance as at 31 December 2018 represents amounts placed with various consultancy firms, both of which are independent third parties, for the purpose of seeking potential investment opportunities for the Group. Pursuant to the relevant service agreements, these deposits will be applied as the considerations to be paid by the Group for any confirmed investments. Any unutilised balance upon the expiry of the terms of services of these consultants will be refunded in full to the Group. The amount is fully impaired during the year ended 31 December 2019.
- (v) Included in other receivables are mainly (i) due from several independent third parties and the Group has recognised impairment losses of HK\$598,000 (2018: HK\$1,333,000) during the year ended 31 December 2019 in view of the difficulties encountered on collection of the amounts; (ii) other loan receivable of HK\$17,000,000 (2018: HK\$7,000,000) to independent third party which was secured over respective personal guarantees, (iii) consideration receivable of disposal of a subsidiary of approximately HK\$2,269,000, and (iv) other receivable of a deposit paid for acquisition of property, plant and equipment upon termination of contract of approximately HK\$28,366,000, which is unsecured, carry interest rate 5% per annum and repayable by 6 instalments within 30 months, (v) other unsecured, interest-free loan receivable with no fixed terms of repayment approximately HK\$30,167,000, (vi) others HK\$56,066,000.

29. BANK BALANCES AND CASH

As at 31 December 2019, the bank and cash balances of the Group denominated in RMB amounted to HK\$4,334,000 (2018: HK\$4,615,000). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30. DISPOSAL GROUP HELD FOR SALE

During the year ended 31 December 2019, the directors intended to dispose of one of the Group's subsidiary engaged in production, sale and trading of textile products business (the "Disposal Company"). The Group had committed to a plan to sell the Disposal Company and negotiating with buyers to complete the plan during the year ended 31 December 2019. Up to the end of the reporting period, the negotiations were not yet completed. The assets and liabilities attributable to the Disposal Company, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

	Production, sale and trading of textile products HK\$'000
Right-of-use assets	2,474
Property, plant and equipment	2,331
Trade and other receivables, deposits and prepayments	1,978
Bank balances and cash	<u>2,271</u>
Total assets classified as held for sale	<u>9,054</u>
Bank borrowings - due within one year	(15,885)
Trade and other payables	(7,479)
Taxation payable	<u>(92)</u>
Total liabilities associated with assets classified as held for sale	<u>(23,456)</u>
Net liabilities of Disposal Company	<u>(14,402)</u>

At 31 December 2019, cumulative expense attributable to owners of the Company recognised in other comprehensive income relating to the disposal group classified as held for sale amounted to approximately HK\$143,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

31. TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables	59,316	43,162
Accrued salary	36,489	34,982
VAT tax payables	1,787	1,546
Interest payables	75,542	10,342
Amounts due to former related party (note i)	20,950	20,950
Deposits received for disposal of subsidiaries	7,092	7,092
Accrued expenses	13,356	11,163
Others (ii)	66,291	37,348
	<u>280,823</u>	<u>166,585</u>

Note:

- (i) The Group received a writ of summons from an entity, to the best knowledge of the directors of the Company, beneficially owned by a former director and a former shareholder of the Company. The amount claimed by this former related party against an indirectly wholly owned subsidiary of the Company, Addchance Limited is approximately HK\$20,950,000.

The directors of the Company have instructed its legal advisers to review the details of this legal proceeding and provide further legal advices. The directors of the Company believe that the Group has sufficient grounds to defend against the legal claim. However, the ultimate outcome of this legal proceeding could not be assessed at this stage.

- (ii) Included in other payable are mainly (i) the Group entered into the cooperative agreement with third parties and received HK\$10,500,000 from third parties for the educational project and (ii) others approximately HK\$39,634,000.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of reporting period:

	2019 HK\$'000	2018 HK\$'000
0-60 days	9,133	13,031
61-90 days	560	6,002
Over 90 days	49,623	24,129
	<u>59,316</u>	<u>43,162</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	At 31 December 2019 HK\$'000	At 31 December 2018 HK\$'000	At 1 January 2018 HK\$'000
Contract liabilities	<u>533</u>	<u>683</u>	<u>16,159</u>
Revenue recognised in the year that was included in contract liabilities at beginning of the year	<u>683</u>	<u>16,159</u>	

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

	2019 HK\$'000	2018 HK\$'000
– 2019	–	810
– 2020	<u>533</u>	<u>–</u>
	<u>533</u>	<u>810</u>

Significant changes in contract liabilities during the year

	2019 HK\$'000	2018 HK\$'000
Transfer from trade and other payable	–	16,159
Increase due to operations in the year	15,780	94,268
Acquisition of subsidiaries	–	185
Transfer of contract liabilities to revenue	(15,928)	(109,929)
Exchange adjustments	<u>(2)</u>	<u>–</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

33. BANK AND OTHER BORROWINGS/BANK OVERDRAFTS

	2019 HK\$'000	2018 HK\$'000
Unlisted and unguaranteed corporate bonds issued by the Company (note i)		
– Bonds issued in 2015	15,183	13,733
– Bonds issued in 2016	15,000	13,074
– Bonds issued in 2017	23,915	21,565
– Bonds issued in 2018	94,111	166,189
– Bonds issued in 2019	133,073	–
	<u>281,282</u>	<u>214,561</u>
Bank borrowings (note iv)		
– Bank loans	108,358	83,144
Other borrowings (note ii)	221,915	221,858
Bank overdrafts (note iii)	–	846
	<u>611,555</u>	<u>520,409</u>
Carrying amount are repayable, based on scheduled repayment dates set out in the loan agreements, as follows:		
On demand within one year	425,414	423,427
Repayable more than one year but not more than two years	87,538	7,888
Repayable more than two years but not more than five years	51,884	44,694
Repayable more than five years	46,719	44,400
	<u>611,555</u>	<u>520,409</u>
Less: Amount due and repayable within one year shown under current liabilities		
– Bank and other borrowings	(425,414)	(422,581)
– Bank overdrafts	–	(846)
	<u>186,141</u>	<u>96,982</u>
Amount shown under non-current liabilities	<u>186,141</u>	<u>96,982</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

33. BANK AND OTHER BORROWINGS/BANK OVERDRAFTS – continued

	2019 HK\$'000	2018 HK\$'000
Analysed as:		
– Secured	305,518	283,989
– Unsecured	<u>306,037</u>	<u>236,420</u>
	<u>611,555</u>	<u>520,409</u>
Analysed as:		
– Fixed-rate	531,563	437,265
– Variable-rate	<u>79,992</u>	<u>83,144</u>
	<u>611,555</u>	<u>520,409</u>

Notes:

- (i) Bonds are issued by the Company and are fixed-rate borrowings.

Bonds issued in 2015 with outstanding principal amount of HK\$19,900,000 as at 31 December 2019 are unsecured and carry weight average coupon interest rates of 6% per annum. The weight average effective interest rates ranging from of 10.55% per annum and the bonds are due in 2022.

Bonds issued in 2016 with outstanding principal amount of HK\$15,000,000 as at 31 December 2019 are unsecured and carry weight average coupon interest rates of 7.5% per annum. The weight average effective interest rate of the bonds of 16.57% per annum. As at 31 December 2019, the amount approximately HK\$15,000,000 had been default.

Bonds issued in 2017 with outstanding principal amount of HK\$44,845,000 as at 31 December 2019 are unsecured and carry weight average coupon interest rates of 7.34% per annum. The weight average effective interest rates of 12.83% per annum and the bonds are payable upon maturity in 2020 to 2025.

Bonds issued in 2018 with outstanding principal amount of HK\$190,440,000 as at 31 December 2019 are unsecured and carry weight average coupon interest rates of 6.63% per annum. The weight average effective interest rates of 19.39% per annum. As at 31 December 2019, the amount approximately HK\$22,635,000 had been default, the rest of the amount are payable upon maturity in 2020 to 2026.

Bonds issued in 2019 with outstanding principal amount of HK\$208,628,000 as at 31 December 2019 are unsecured and carry weight average coupon interest rates of 5.89% per annum. The weight average effective interest rates of 24.42% per annum. As at 31 December 2019, the amount approximately HK\$25,742,000 had been default, the rest of the amount are payable upon maturity in 2020 to 2029.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

33. BANK AND OTHER BORROWINGS/BANK OVERDRAFTS – continued

Notes: – continued

- (ii) As at 31 December 2019, the amount of HK\$160,000,000 had been default. Subsequent to the end of reporting period, the Company has executed a share mortgage over the issued shares of the Champion Forever Group Limited, as the borrower, a wholly-owned subsidiary of the Company in favour of the lender, Champion Alliance Industries Limited.

The other borrowing with principal amount of HK\$160,000,000 (2018: HK200,000,000) as at 31 December 2019 advanced by an independent third party is secured by the second mortgage charge over property that was located at Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong under the debt restructuring deed assigned to the Group by the banks upon settlements of the defaulted bank borrowings during the year and entire issued ordinary shares of Champion Forever Group Limited, a direct wholly-owned subsidiary of the Company, being the assignee of the above charge. The other borrowing is also guaranteed by Mr. Poon Sum.

In 2019, the Group raised funds from independent third parties of principal amounts of HK\$61,915,000, bearing fixed interest rates ranging from 5.4%-55% per annum and repayable within one year.

- (iii) Bank overdrafts are repayable on demand.
- (iv) The secured bank borrowings are secured by the Group's certain right-of-use assets and property, plant and equipment. The variable-rate borrowings ranges of effective interest rates of 5.87%-6.09% (2018: 5.87%-6.09%). Details are set out in note 43.

34. OBLIGATION UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Within one year	–	160	–	139
In first to second years, inclusive	–	160	–	146
In the third to fifth years, inclusive	–	240	–	232
	–	560	–	517
Less: future finance charges	–	(43)	N/A	N/A
Present value of lease obligations	–	517	–	517
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	(139)
Amount due for settlement after 12 months			–	378

The Group leases a motor vehicle under finance lease during the year ended 31 December 2018. The remaining lease term is 4 years. Interest rates underlying all obligation under finance lease is fixed at respective contract dates at 2.5% per annum.

As at 1 January 2019, the Group reclassified the finance lease liabilities of approximately HK\$517,000 to lease liabilities in accordance with IFRS16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	As at 31 December 2019 HK\$'000	As at 1 January 2019 HK\$'000	As at 31 December 2019 HK\$'000	As at 1 January 2019 HK\$'000
Within one year	2,774	4,309	2,618	3,993
In second to fifth years, inclusive	<u>1,372</u>	<u>3,256</u>	<u>1,285</u>	<u>3,147</u>
	4,146	7,565	3,903	7,140
Less: future finance charges	<u>(243)</u>	<u>(425)</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease liabilities	<u>3,903</u>	<u>7,140</u>	3,903	7,140
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(2,618)</u>	<u>(3,993)</u>
Amount due for settlement after 12 months			<u>1,285</u>	<u>3,147</u>

At 31 December 2019, the effective borrowing rates are ranging from 6.09% to 13.86% (1 January 2019: 6.09%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

The Group leases two motor vehicles under lease during the year ended 31 December 2019. The remaining lease term is ranging from to 3 to 3.8 years. Interest rates underlying all obligation under lease is fixed at respective contract dates at 2.5% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36. DEFERRED TAX

	Fair value adjustments on business combinations HK\$'000	Allowance for impairment of trade and other receivables HK\$'000	Accelerated tax depreciation HK\$'000	Withholding tax on undistributed profits of subsidiaries HK\$'000	Total HK\$'000
At 1 January 2018	-	-	7	3,637	3,644
Reclassified as liabilities associated with assets classified as held for sale	-	-	(7)	-	(7)
Arising from acquisition of subsidiaries	6,577	(3,439)	-	-	3,138
Charge to profit or loss	-	-	-	531	531
At 31 December 2018 and 1 January 2019	6,577	(3,439)	-	4,168	7,306
(Credit)/charge to profit or loss	(1,989)	3,479	-	-	1,490
Disposal of subsidiaries	-	-	-	(5)	(5)
Exchange difference	-	(40)	-	-	(40)
At 31 December 2019	4,588	-	-	4,163	8,751

The following is the analysis of the deferred tax balance for financial report presentation purposes.

	2019 HK\$'000	2018 HK\$'000
Deferred tax assets	-	3,439
Deferred tax liabilities	(8,751)	(10,745)
	(8,751)	(7,306)

Under the Law on Taxation of Cambodia, withholding tax is imposed on dividends declared in respect of profits earned by Cambodian subsidiaries from 1 June 1998 onwards. For the year ended 31 December 2019, the aggregate amount of temporary differences associated with undistributed earnings for which deferred tax liabilities have not been recognised is approximately HK\$17,061,000 (2018: HK\$18,801,000) as the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

As at 31 December 2019, the Group has unused tax losses of approximately HK\$675,499,000 (2018: HK\$434,667,000). No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$184,532,000 (2018: HK\$216,808,000) that will expire between 2020 to 2024 (2018: 2019 to 2023). Other losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000,000	100,000
Issued and fully paid of HK\$0.01 each:		
At 1 January 2018	5,396,730,909	53,967
Issue of new shares (note i)	261,658,031	2,617
Issue of new shares (note ii)	240,997,229	2,410
At 31 December 2018 and 1 January 2019	5,899,386,169	58,994
Issue of new shares (note iii)	222,222,000	2,222
Issue of new shares (note iv)	177,208,000	1,772
At 31 December 2019	6,298,816,169	62,988

Note:

- (i) On 13 November 2018, the Group entered into the agreement with Mr. Hao Zhao to acquire entire equity interest of Jiu Zhou Financial Group Co. Limited which was satisfied by the Company by way of allotment and issue of 261,658,031 shares to the Mr. Hao Zhao. Completion took place on 28 December 2018 in accordance with the terms and conditions of the Agreement (as supplemented by the Supplemental Agreement). A total of 261,658,031 shares were issued to the Mr. Hao Zhao.
- (ii) On 27 November 2018, the Group entered into the agreement with Hong Jun Global Limited to acquire 14.0% of the equity interest of Coulman International Limited which was satisfied by the Company by way of allotment and issue of 240,997,229 shares to the Hong Jun Global Limited. Completion took place on 19 December 2018 in accordance with the terms and conditions of the Sale and Purchase Agreement. A total of 240,997,229 shares were issued to Hong Jun Global Limited.
- (iii) The Company entered into the supplemental loan agreement and to amend the terms and conditions of the original loan agreement (including but not limited to the extension of the term of the loan), it is agreed the Company shall make prepayment of HK\$40,000,000 as partial repayment of the outstanding principal amount of the loan by way of allotment and issuance of the settlement shares comprise 222,222,000 new shares. The premium on the issue of shares, amounting to approximately HK\$39,111,000 was credited to the Company's share premium account.
- (iv) On 15 February 2019, the Company entered into the placing agreement with the placing agent, pursuant to which the placing agent agrees, as agent of the Company, to procure on a best effort basis not fewer than six placees, who will be independent third parties, to subscribe for up to 354,000,000 placing shares at the placing price of HK\$0.18 per placing share. On 18 March 2019, an aggregate of 177,208,000 placing shares were issued. The premium on the issue of shares, amounting to approximately HK\$30,125,000, net of share issue expenses of approximately HK\$29,487,000, was credited to the Company's share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37. SHARE CAPITAL – continued

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 the shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

The directors of the Company consider that the capital structure of the Group consists of net debts, which include bank and other borrowings, bank overdrafts and amounts due to a related party, net of cash and cash equivalents, and shareholders' surplus.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as issue of new debts or redemption of existing debts.

38. 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

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2018	785,875	230,857	(1,039,267)	(22,535)
Loss and total comprehensive expense for the year	–	–	(194,974)	(194,974)
Ordinary shares issued	<u>167,770</u>	<u>–</u>	<u>–</u>	<u>167,770</u>
At 31 December 2018 and 1 January 2019	953,645	230,857	(1,234,241)	(49,739)
Loss and total comprehensive expense for the year	–	–	(480,164)	(480,164)
Ordinary shares issued	<u>68,598</u>	<u>–</u>	<u>–</u>	<u>68,598</u>
At 31 December 2019	<u>1,022,243</u>	<u>230,857</u>	<u>(1,714,405)</u>	<u>(461,305)</u>

The contributed surplus of the Company represents (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Atlantic Limited, over the nominal value of the share capital of the Company issued in exchange in prior years thereof; less (ii) dividends paid in prior years; and (iii) deemed contributions arising from non-interest bearing advances from a shareholder and a company held by this shareholder and his spouse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

38. RESERVES – continued

Statement of Financial Position and Reserves of the Company

	2019 HK\$'000	2018 HK\$'000
Non-current assets		
Investments in subsidiaries	–	–
Amounts due from subsidiaries	–	308,192
	<u>–</u>	<u>308,192</u>
Current assets		
Other receivables, deposits and prepayments	24,255	51,026
Bank balances and cash	37	4,266
	<u>24,292</u>	<u>55,292</u>
Current liabilities		
Other payables	39,473	30,542
Amount due to a subsidiary	61,514	102,482
Bank and other borrowings-due within one year	190,420	117,579
	<u>291,407</u>	<u>250,603</u>
Net current liabilities	<u>(267,115)</u>	<u>(195,311)</u>
Non-current Liabilities		
Amounts due to a related party	6,440	6,644
Bank and other borrowings-due after one year	124,762	96,982
	<u>131,202</u>	<u>103,626</u>
Net (liabilities)/assets	<u>(398,317)</u>	<u>9,255</u>
Capital and reserves		
Share capital	62,988	58,994
Reserves	(461,305)	(49,739)
	<u>(398,317)</u>	<u>9,255</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. DISPOSAL OF SUBSIDIARIES

On 31 July 2019, the Group disposed 100% equity interest of Apex Richness Group Limited and its subsidiary for a cash consideration of HK\$3,500,000 to Zhang Jingsheng, an independent third party.

On 30 September 2019, the Group disposed 100% equity interest of Xinjiang Bole Addchance Textile Limited (the "Xinjiang") for a cash consideration of RMB20,000,000 (equivalent to approximately HK\$23,070,000) to 博州弘景商貿有限公司, an independent third party.

During the year ended 31 December 2019, LW Asset Management Advisors Limited ("LW Asset") allotted and issued 200,000 and 5,592,500 new shares to the Group and other shareholders of LW Asset respectively. Upon the allotment and issue of the new shares, the Group's shareholding interest in LW Asset was diluted from 82.03% to 46.14% and was deemed to dispose LW Asset.

Net assets at the date of disposal were as follows:

	Apex Group HK\$'000	Xinjiang HK\$'000	LW assets Group HK\$'000	Total HK\$'000
Property, plant and equipment	–	11,853	107	11,960
Goodwill	–	–	14,553	14,553
Right-of-use assets	1,109	17,197	972	19,278
Deposit paid for acquisition of property, plant and equipment	–	884	–	884
Trade and other receivables, deposits and prepayments	18,870	13,376	961	33,207
Tax recoverable	–	274	–	274
Bank balances and cash	144	2	246	392
Trade, deposits received and other payables	(278)	(15,299)	(106)	(15,683)
Bank overdraft	(149)	–	–	(149)
Deferred tax liabilities	–	–	(5)	(5)
Inter-group current account	(15,064)	–	–	(15,064)
Lease liabilities	(1,115)	–	(1,025)	(2,140)
Net assets disposed of :	3,517	28,287	15,703	47,507
Release of foreign currency translation reserve	–	(9,703)	(73)	(9,776)
Non-controlling interests	–	–	(752)	(752)
Gain/(loss) on disposal of subsidiaries	(17)	4,486	(12,451)	(7,982)
Total consideration	<u>3,500</u>	<u>23,070</u>	<u>2,427</u>	<u>28,997</u>
Net cash inflow arising on disposal:				
Total consideration	3,500	23,070	2,427	28,997
Less: investment in associates	–	–	(2,427)	(2,427)
Less: consideration receivable	–	(2,311)	–	(2,311)
	<u>3,500</u>	<u>20,759</u>	<u>–</u>	<u>24,259</u>
Cash and cash equivalents disposed of	<u>5</u>	<u>(2)</u>	<u>(246)</u>	<u>(243)</u>
	<u>3,505</u>	<u>20,757</u>	<u>(246)</u>	<u>24,016</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Amounts due to a former related party HK\$'000	Amounts due to a related party HK\$'000	Interest payable (included in trade and other payables) HK\$'000	Bank and other borrowings HK\$'000	Obligations under finance leases HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2018	20,950	24,800	-	378,571	649	-	424,970
Financing cash flows	-	(21,856)	-	85,761	(161)	-	63,744
Non-cash changes							
- Finance costs	-	-	10,342	76,678	29	-	87,049
- Reclassified disposal group held for sale	-	-	-	(15,945)	-	-	(15,945)
- Foreign exchange translation	-	-	-	(5,502)	-	-	(5,502)
At 31 December 2018 and 1 January 2019	20,950	2,944	10,342	519,563	517	-	554,316
Financing cash flows	-	2,151	(21,487)	97,209	-	(10,945)	66,928
Non-cash changes							
- Finance costs	-	-	86,727	42,692	-	458	129,877
- Transfer	-	-	-	-	(517)	517	-
- Initial recognition	-	-	-	-	-	6,623	6,623
- Addition	-	-	-	-	-	9,386	9,386
- Disposal of subsidiaries	-	-	-	-	-	(2,140)	(2,140)
- Settlement by issue of shares	-	-	-	(40,000)	-	-	(40,000)
- Gain on fair value changes on modification of other borrowings	-	-	-	(5,031)	-	-	(5,031)
- Foreign exchange translation	-	-	(40)	(2,878)	-	4	(2,914)
At 31 December 2019	20,950	5,095	75,542	611,555	-	3,903	717,045

41. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2018: Nil).

42. CAPITAL COMMITMENTS

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

	2019 HK\$'000	2018 HK\$'000
Property, plant and equipment		
- Contracted but not provided for	-	2,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

43. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to banks for the bank borrowings and credit facilities granted to the Group:

	2019 HK\$'000	2018 HK\$'000
Prepaid lease payments	–	4,826
Right-of-used assets	5,471	–
Property, plant and equipment	<u>29,333</u>	<u>32,337</u>
	<u>34,804</u>	<u>37,163</u>

In addition, the entire shareholdings in a subsidiary of the Company as at 31 December 2019 was pledged to an independent third party for the advances there from to the relevant subsidiary.

44. MAJOR NON-CASH TRANSACTION

The Company entered into the supplemental loan agreement and to amend the terms and conditions of the original loan agreement (including but not limited to the extension of the term of the Loan), it is agreed the Company shall make prepayment of HK\$40,000,000 as part repayment of the outstanding principal amount of the loan by way of allotment and issuance of the settlement shares comprise 222,222,000 new shares.

45. RELATED PARTY DISCLOSURE

(a) Related party balances

Details of the outstanding balances with related parties are set out as below. The amounts due to a related party are unsecured, interest-free and have no fixed repayment terms. The effective interest rate is Nil (2018: 7.5%) per annum.

	2019 HK\$'000	2018 HK\$'000
Amounts due to:		
– Mr. Poon Sum	<u>5,095</u>	<u>2,944</u>

In addition, Mr. Poon Sum, a director of the Company, provided a personal guarantee to an independent third party for the Group's borrowing of principal amount of HK\$160,000,000 (2018: HK\$200,000,000) during the year ended 31 December 2019, as set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

45. RELATED PARTY DISCLOSURE– continued

(b) Key management personnel remuneration

The remuneration of directors of the Company and other members of key management who have authority and responsibility, directly or indirectly, for planning, directing and controlling the activities of the Group during the reporting periods were as follows:

	2019 HK\$'000	2018 HK\$'000
Short-term benefits	8,768	10,383
Post-employment benefits	88	92
	<u>8,856</u>	<u>10,475</u>

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Notes	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2019	2018	2019	2018	
Interlink Atlantic Limited		BVI 24 November 1999	Ordinary share US\$1	100%	100%	–	–	Investment holding
Addchance Limited		Hong Kong 2 October 1981	Ordinary shares HK\$1,500,000	–	–	100%	100%	Manufacturing and trading of dyed yarn, provision of yarn-dyeing services, trading of cotton raw white yarn and fancy yarn and property holding
Chinakey (Hong Kong) Limited		Hong Kong 22 October 1997	Ordinary shares HK\$1,000,000	–	–	100%	100%	Manufacturing and trading of knitted sweaters
Chinakey Global Limited		Hong Kong 15 August 2016	Ordinary shares HK\$100	–	–	96%	96%	Manufacturing and trading of knitted sweaters
Sky Emperor International Limited		Hong Kong 12 March 1997	Ordinary shares HK\$10,000	–	–	100%	100%	Trading of knitted sweaters
廣西岑溪互益紡織有限公司 Cenxi Addchance Textile Factory Ltd.	(i), (iv)	The PRC 27 September 2003	Registered capital US\$2,000,000	–	–	100%	100%	Provision of knitting services
廣西梧州互益紡織有限公司 Wu Zhou Addchance Textile Factory Limited	(i)	The PRC 16 December 2005	Registered capital US\$3,500,000	–	–	100%	100%	Manufacturing of knitted sweaters
安慶市宿松互益精紡有限公司 Anqing Su Song Addchance Spinning Company Limited	(i)	The PRC 14 April 2007	Registered capital US\$10,000,000	–	–	100%	100%	Manufacturing of cotton yarn

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Notes	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2019	2018	2019	2018	
Chung Yick Textile Factory Limited	(iii)	Cambodia 30 July 2007	Registered capital US\$7,000,000	-	-	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Dignity Knitter Limited	(iii)	Cambodia 26 May 2011	Registered capital US\$2,000,000	-	-	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Great Honour Textile Factory Limited	(iii)	Cambodia 26 May 2011	Registered capital US\$2,000,000	-	-	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Eco base Factory Limited		Cambodia 1 January 2014	Registered capital US\$2,000,000	-	-	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Everwin Enterprise Limited		Hong Kong 6 June 2018	Ordinary shares HK\$100	-	-	96%	-	Manufacturing and trading of knitted sweaters
Endless Rich Limited		BVI 2 January 2015	Registered capital US\$1	-	-	100%	100%	Investment in natural gas business
Endless Synergy Limited		BVI 5 July 2016	Registered capital US\$100	-	-	100%	100%	Investment holding
Eternity Fortune Holdings Limited		BVI 2 January 2015	Registered capital US\$100	-	-	100%	100%	Investment holding
Grand Asset Limited		Hong Kong 28 April 2017	Ordinary shares HK\$1	-	-	100%	100%	Provision of human resource management
Grant Master Limited		Hong Kong 17 February 2017	Ordinary shares HK\$100	-	-	100%	100%	Provision of office services
Group Profit Holdings Limited		Hong Kong 4 December 2013	Ordinary shares HK\$1,000	-	-	51%	51%	Trading of petroleum
Kinetic Treasure Limited		Hong Kong 8 September 2015	Ordinary shares HK\$1	-	-	96%	96%	Manufacturing and trading of dyed yarn, provision of yarn-dyeing services and trading of cotton raw white yarn and fancy yarn
中山基達環保科技有限公司		The PRC 23 July 2018	Registered capital RMB1,000,000	-	-	100%	100%	Trading of ECO-environment products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Notes	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2019	2018	2019	2018	
中山暗溯服飾有限公司	(iv)	The PRC 13 June 2018	Registered capital RMB1,000,000	–	–	50%	50%	Trading of garment
大慶市鴻易盛科技開發有限公司	(iv)	The PRC 8 February 2018	Registered capital RMB50,800,000	–	–	100%	100%	Provision of services for oil industry
Jiu Zhou Financial Group Co., Limited	(iv)	Cayman Island 28 December 2018	Registered capital US\$50,000	–	–	100%	100%	Investment holding
Jiu Zhou Financial Group Limited	(iv)	Hong Kong 14 December 2018	Ordinary shares HK\$10,000	–	–	100%	100%	Investment holding
中晟匯裕科技服務有限公司	(iv)	The PRC 21 September 2012	Registered capital RMB51,000,000	–	–	51%	66%	Provision of RMB banknotes clearing up services
大慶市中晟匯裕科技開發有限公司	(iv)	The PRC 21 October 2014	Registered capital RMB1,000,000	–	–	51%	66%	Provision of RMB banknotes clearing up services
襄陽中晟匯裕網路科技服務有限公司	(iv)	The PRC 22 December 2015	Registered capital RMB5,000,000	–	–	51%	66%	Provision of RMB banknotes clearing up services
齊哈爾市中成匯裕科技服務有限公司	(iv)	The PRC 6 August 2014	Registered capital RMB4,500,000	–	–	51%	66%	Provision of RMB banknotes clearing up services
大興安嶺中晟匯裕科技服務有限公司	(iv)	The PRC 5 November 2014	Registered capital RMB1,000,000	–	–	51%	66%	Provision of RMB banknotes clearing up services
七台河中成匯裕科技服務有限公司	(iv)	The PRC 14 August 2014	Registered capital RMB4,500,000	–	–	51%	66%	Provision of RMB banknotes clearing up services
雙鴨山市中晟匯裕科技服務有限公司	(iv)	The PRC 9 September 2015	Registered capital RMB5,000,000	–	–	51%	66%	Provision of RMB banknotes clearing up services

Notes:

- (i) These companies are wholly-foreign owned enterprise.
- (ii) The registered capital has not yet been paid up as at 31 December 2017.
- (iii) The subsidiary is in the process of winding up during the year ended 31 December 2018 and 2019.
- (iv) These companies are classified as Disposal Group held for sale during the year ended 31 December 2019 and 2018. Details are set out in note 30.
- (v) These companies are newly acquired during the year ended 31 December 2018.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries are investment holding companies in Hong Kong and the PRC or inactive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

47. EVENTS AFTER THE REPORTING PERIOD

1) Appointment of receivers of a subsidiary

Champion Forever Group Limited (the “Borrower”), a wholly-owned subsidiary of the Company as borrower, and the Company as guarantor, have entered into a loan agreement with Champion Alliance Industries Limited as the lender (the “Lender”) in 2017 under which the Borrower has borrowed money for settlement of amount payables and working capital purposes. As security for the liability and obligations under the loan agreement, the Company has executed a share mortgage (the “Share Mortgage”) over the issued shares of the Borrower in favour of the Lender.

On 7 May 2020, the Company received a notification from Graham Management Consultants Limited informing the Company that their Mr. Chan Ho Yim, Graham and Ms. Chan Suk King (the “Receivers”) had been appointed by the Lender on 29 April 2020 as joint and several receivers of the issued share capital of the Borrower as the loan is overdue pursuant to the Share Mortgage as at 8 May 2020.

2) Winding up petitions

References are made to the announcements of the Company dated 8 January 2020, 13 January 2020, 5 March 2020, 5 June 2020, 26 June 2020, 13 July 2020 and 15 July 2020, in relation to (i) a winding up petition filed by two bondholders of the Company (the “Petition 1”) against the Company in the High Court of Hong Kong Special Administrative Region (the “High Court”) which was scheduled to be heard on 12 August 2020; (ii) a winding up petition filed by a bondholder of the Company (the “Petition 2”) against the Company in the High Court which was scheduled to be heard on 27 August 2020 and (iii) a winding up petition filed by a bondholder of the Company (the “Petition 3”) against the Company in the High Court which was scheduled to be heard on 2 September 2020; and (iv) a winding up petition filed by Ms. Wang Rujing (the “Petition 4”) against the Company in the High Court. The Petition 4 is scheduled to be heard in the High Court on 27 August 2020.

3) Statutory demand

References are made to the announcements of the Company dated 26 April 2020 and 21 May 2020, the Company has received a number of statutory demands under section 178(1)(A) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “Statutory Demands”) which were served on the Company by (i) 12 bondholders (the “Bondholders”) to demand the Company to pay the alleged outstanding debts in the aggregate amount of approximately HK\$66,694,000 (the “Bondholders’ Debts”); and (ii) 1 creditor of the loan (the “Loan Creditor”) to demand the Company to pay the alleged outstanding loan debt in the aggregate amount of HK\$1,100,000 (the “Loan Creditor’s Debt”).

4) Acquisition of 66% equity interest in Titok Investment Limited

The Group entered into the acquisition agreement with the 羊老四 (Yang, Laosi), an independent third party (the “Vendor”) on 7 July 2020, pursuant to which the Group has agreed to acquire and the Vendor has agreed to sell the 6,666 shares of Titok Investment Limited (representing 66% of the entire issued share capital of Titok Investment Limited) for a consideration of HK\$12,716,559 in accordance with the terms and conditions of the acquisition agreement. The consideration will be satisfied by the Group to issue promissory note to the Vendor upon completion.

48. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 August 2020.

FINANCIAL SUMMARY

RESULTS

	2019 HK'000	2018 HK'000	2017 HK'000	2016 HK'000	2015 HK'000
Revenue	<u>704,356</u>	<u>611,052</u>	<u>413,861</u>	<u>467,138</u>	<u>961,072</u>
Loss before taxation	(629,093)	(274,682)	(101,818)	(350,173)	(961,654)
Income tax (expense) credit	<u>(3,666)</u>	<u>(742)</u>	<u>(429)</u>	<u>405</u>	<u>10,525</u>
(Loss) Profit for the year	<u>(632,759)</u>	<u>(275,424)</u>	<u>(102,247)</u>	<u>(349,768)</u>	<u>(951,129)</u>
Loss for the year attributable to:					
Owners of the Company	(585,613)	(275,391)	(101,333)	(349,771)	(951,129)
Non-controlling interests	<u>(47,146)</u>	<u>(33)</u>	<u>(914)</u>	<u>3</u>	<u>—</u>
	<u>(632,759)</u>	<u>(275,424)</u>	<u>(102,247)</u>	<u>(349,768)</u>	<u>(951,129)</u>

ASSETS AND LIABILITIES

	2019 HK'000	2018 HK'000	2017 HK'000	2016 HK'000	2015 HK'000
Total assets	451,180	794,464	710,013	881,655	1,712,118
Total liabilities	<u>(943,642)</u>	<u>(729,991)</u>	<u>(571,259)</u>	<u>(971,307)</u>	<u>(1,448,527)</u>
	<u>(492,462)</u>	<u>64,473</u>	<u>138,754</u>	<u>(89,652)</u>	<u>263,591</u>
Equity attributable to owners of the Company	(506,540)	38,126	136,845	(89,651)	263,591
Non-controlling interests	<u>14,078</u>	<u>26,347</u>	<u>1,909</u>	<u>(1)</u>	<u>—</u>
	<u>(492,462)</u>	<u>64,473</u>	<u>138,754</u>	<u>(89,652)</u>	<u>263,591</u>