長城一帶一路
Great Wall Belt & Road

Great Wall Belt & Road Holdings Limited
長城一帶一路控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 524)

AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS FOR THE YEAR

- The Group's revenue for the Year amounted to approximately HK$79.2 million, representing an increase of approximately 16.6% from approximately HK$67.9 million in 2018. The overall gross margin of the Group for the Year dropped to approximately 17.0% (2018: approximately 45.3%). Such decrease was mainly due to the expansion of the Group's wholesale voice telecommunications segment of the Telecom Business in 2019 which has lower gross margin.

- In light of the challenging business environment in the IT and Distribution Business, the Group applied a lower growth rate in the cash flow projections in the calculation of the value in use of these CGUs. As a result, the Group recorded an one-off impairment loss on goodwill and intangible assets of approximately HK$7.3 million and HK$32.4 million respectively in 2019 (2018: approximately HK$5.1 million and nil).

- The Group recorded unrealised net loss on fair value changes and a net loss on disposal and fair value changes of approximately HK$54.5 million and approximately HK$60.6 million respectively (2018: approximately HK$54.4 million of unrealised net gain on fair value changes and approximately HK$17.8 million of net gain on disposal and fair value changes) in respect of financial assets at FVPL in 2019. The unrealised net loss on fair value changes was mainly due to significant drop of fair value in SingAsia Shares in 2019.

- The consolidated loss attributable to equity holders of the Company for the Year amounted to approximately HK$219.0 million, compared to approximately HK$11.7 million for the prior year.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

RESULTS

Reference is made to the announcement of Great Wall Belt & Road Holdings Limited (the "Company") dated 31 March 2020 in relation to the unaudited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "2019 Unaudited Annual Results Announcement").

The board (the "Board") of directors (the "Directors") of the Company is pleased to announce that the auditing process of the annual results of the Group for the year ended 31 December 2019 has been completed. As certain adjustments have been made to the unaudited annual results of the Group as contained in the 2019 Unaudited Annual Results Announcement, the differences between the unaudited annual results and the audited annual results contained in this announcement are set out in the section headed "Material Differences between 2019 Unaudited and Audited Annual Results" in this announcement in accordance with Rule 13.49(3)(ii)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The audited consolidated results for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*2*	**79,210**	67,920
Cost of services provided		**(65,719)**	(37,126)
Gross profit		**13,491**	30,794
Other revenue and income	*3*	**1,761**	4,372
		15,252	35,166
Selling and distribution expenses		**(1,578)**	(2,255)
Business promotion and marketing expenses		**(150)**	(462)
Operating and administrative expenses		**(34,998)**	(60,060)
Other operating expenses		**(19,339)**	(19,143)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Loss from operations		**(40,813)**	(46,754)
Bad debts write off on trade receivables		**–**	(28)
Loss allowances on			
– Trade receivables		**(4,784)**	(556)
– Other receivables		**(31,349)**	(45,720)
Impairment losses on property, plant and equipment		**(94)**	(385)
Impairment losses on right-of-use assets		**(2,517)**	–
Impairment losses on intangible assets	*7*	**(32,393)**	–
Impairment losses on goodwill	*8*	**(7,341)**	(5,089)
Impairment losses on investment in a joint venture		**–**	(337)
Financial assets at FVPL			
– net (loss) gain on disposal and fair value changes		**(60,593)**	17,800
Financial assets at FVPL held at the end of the year			
– net (loss) gain on fair value changes		**(54,523)**	54,431
Write off of property, plant and equipment		**(16)**	(138)
Gain on disposal of property, plant and equipment		**232**	32
Net gain on disposal of a subsidiary		**–**	11,984
Gain on disposal of an associate		**195**	–
Finance costs	*4*	**(119)**	(7)
Share of results of associates		**–**	(356)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the year ended 31 December 2019

	Notes	2019	2018
		HK$'000	*HK$'000*
Loss before taxation	*4*	**(234,115)**	(15,123)
Income tax credit (expenses)	*5*	**8,943**	(1,025)
Loss for the year		**(225,172)**	(16,148)
Loss for the year attributable to:			
Equity holders of the Company		**(219,027)**	(11,727)
Non-controlling interests		**(6,145)**	(4,421)
Loss for the year		**(225,172)**	(16,148)
		HK cents	*HK cents*
Loss per share	*6*		
Basic and diluted		**(20.9)**	(1.2)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(225,172)**	(16,148)
Other comprehensive (loss) income for the year		
Items that will not be subsequently reclassified to profit or loss:		
Fair value loss of Designated FVOCI	**(279)**	(55)
Items that are or may be subsequently reclassified to profit or loss:		
Derecognition of exchange reserve upon deregistration/ disposal of a subsidiary	**62**	(66)
Exchange differences on translation of foreign subsidiaries	**(455)**	(3,610)
Share of other comprehensive loss of associates – Exchange difference on translation	**(1,002)**	(5,257)
Share of other comprehensive loss of a joint venture – Exchange difference on translation	**–**	(6)
Total other comprehensive loss for the year	**(1,674)**	(8,994)
Total comprehensive loss for the year	**(226,846)**	(25,142)
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	**(220,713)**	(20,535)
Non-controlling interests	**(6,133)**	(4,607)
Total comprehensive loss for the year	**(226,846)**	(25,142)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**202**	1,262
Right-of-use assets		**–**	–
Intangible assets	*7*	**–**	47,771
Goodwill	*8*	**–**	7,341
Interest in associates	*9*	**56,079**	57,081
Designated FVOCI		**2,384**	2,663
		58,665	116,118
Current assets			
Financial assets at FVPL	*10*	**1,571**	131,254
Trade and other receivables	*11*	**12,813**	43,531
Tax recoverable		**52**	–
Pledged bank deposits		**738**	885
Bank balances and cash		**6,672**	13,915
		21,846	189,585

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Current liabilities			
Trade and other payables	12	**75,560**	65,935
Tax payable		**–**	1,307
Obligations under finance leases		**–**	50
Lease liabilities		**3,052**	–
		78,612	67,292
Net current (liabilities) assets		**(56,766)**	122,293
Total assets less current liabilities		**1,899**	238,411
Non-current liabilities			
Deferred tax liabilities	13	**–**	9,666
NET ASSETS		**1,899**	228,745
Capital and reserves			
Share capital	14	**10,503**	10,503
Reserves		**(5,488)**	215,225
Equity attributable to equity holders of the Company		**5,015**	225,728
Non-controlling interests		**(3,116)**	3,017
TOTAL EQUITY		**1,899**	228,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the "HKCO") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going concern

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets. The Group incurred a net loss of approximately HK$225,172,000 for the year ended 31 December 2019. At 31 December 2019, the current liabilities of the Group exceeded its current assets by approximately HK$56,766,000. The Group maintained bank balances and cash of approximately HK$6,672,000 as at 31 December 2019. These conditions indicate the existence of uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group is taking the following steps to ensure continuous operations of the Group:

(a) Group entered into loan agreements with the directors during the year with aggregate amount of HK$41,700,000 to mitigate the liquidity and financial pressure and to improve the Group's financial position. Such loans are on normal commercial terms or better, interest-free with no pledge of assets or guarantee provided by the Group, which constitute a fully exempt connected transaction of the Group under Chapter 14A of the Listing Rules. As at 31 December 2019, total amount of borrowing from directors amounted approximately HK$2,840,000 and therefore, total amount of borrowings yet to be drawn amounted approximately HK$38,860,000.

(b) On 13 May 2020, the Group has entered into a sales and purchase agreement in relation to the disposal of a subsidiary for consideration of RMB50,000,000 (equivalent to HK$55,000,000). The disposal once completed would possibly generate net cash inflow of HK$54,892,000 to the Group. Further detailed information of such disposal was disclosed in the announcement dated 13 May 2020.

(c) The Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet their liquidity requirements in the short and longer terms.

(d) As at the date of this annual report, the Group has planned and is in negotiation with potential investors to raise funds through shares placing.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Going concern (Continued)

With the aforesaid measures, the board of directors of the Company (the "Board of Directors") considers it reasonable to prepare the consolidated financial statements on the assumption of continuous operations. The Board of Directors has conducted thorough evaluation of the Group's continuous operation ability by reviewing working capital forecasts for the coming twelve months, and has reached the conclusion that the Group will be able to acquire enough funding to ensure working capital and expensing needs, therefore agreed with preparation of the consolidated financial statements on the basis of continuous operations. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise and to reclassify the non-current assets and liabilities to current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as follows.

Adoption of new/revised HKFRSs

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

The interpretation supports the requirements in HKAS 12 *Income Taxes* by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of the interpretation does not have any significant impact on the consolidated financial statements.

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

HKFRS 16: Leases (Continued)

The Group elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and applied the following practical expedients on a lease-by-lease basis.

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.

(c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

Adoption of new/revised HKFRSs (Continued)

HKFRS 16: Leases (Continued)

As lessee – leases previously classified as operating leases (Continued)

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 2.70%.

The following table summarises the impact of transition to HKFRS 16 at the DIA on the consolidated statement of financial position:

	Classification and carrying amount under HKAS 17	Reclassification on adoption of HKFRS 16	Initial measurement on adoption of HKFRS 16	**Classification and carrying amount under HKFRS 16**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Assets				
Right-of-use assets	–	–	5,815	**5,815**
Liabilities				
Obligation under finance leases	(50)	50	–	**–**
Lease liabilities	–	(50)	(5,815)	**(5,865)**

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

Adoption of new/revised HKFRSs (Continued)

HKFRS 16: Leases (Continued)

As lessee – leases previously classified as operating leases (Continued)

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

	HK$'000
Operating lease commitments at 31 December 2018	7,176
Lease transferred to an associate	(1,034)
Leases of short term and low value leases with remaining lease term ending on or before 31 December 2019	(185)
Gross lease liabilities as at 1 January 2019	5,957
Discounted using the lessee's incremental borrowing rate at the DIA	5,815
Add: Commitments relating to leases previously classified as finance leases	50
Lease liabilities at 1 January 2019	**5,865**

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying HKFRS 16 from the DIA.

2. REVENUE AND SEGMENT INFORMATION

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Telecommunication services income	**75,054**	46,107
Financial payment processing solution and software development income	**4,156**	12,046
Distribution business income	**–**	9,767
	79,210	67,920

The revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

Year ended 31 December 2019	**Telecom-munication services**	**Financial payment processing solution and software development business**	**Distribution business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Geographical region:				
– Hong Kong	**29,201**	**–**	**–**	**29,201**
– The PRC	**–**	**4,156**	**–**	**4,156**
– Singapore	**45,853**	**–**	**–**	**45,853**
	75,054	**4,156**	**–**	**79,210**
Timing of revenue recognition:				
– at a point in time	**65,330**	**–**	**–**	**65,330**
– over time	**9,724**	**4,156**	**–**	**13,880**
	75,054	**4,156**	**–**	**79,210**
Type of transaction price:				
– fixed price	**75,054**	**4,156**	**–**	**79,210**

2. **REVENUE AND SEGMENT INFORMATION (Continued)**

Year ended 31 December 2018	Telecom-munication services *HK$'000*	Financial payment processing solution and software development business *HK$'000*	Distribution business *HK$'000*	Total *HK$'000*
Geographical region:				
– Hong Kong	18,431	–	–	18,431
– The PRC	–	12,046	9,767	21,813
– Singapore	27,676	–	–	27,676
	46,107	12,046	9,767	67,920
Timing of revenue recognition:				
– at a point in time	35,436	–	9,767	45,203
– overtime	10,671	12,046	–	22,717
	46,107	12,046	9,767	67,920
Type of transaction price:				
– fixed price	46,107	12,046	9,767	67,920

The Group's management, who are the chief operating decision makers, determine the operating segments for the purposes of resource allocation and performance assessment. The business segments of the Group comprise telecommunication services, financial payment processing solution and software development services and distribution business through e-commerce platform, and property development and tourism.

Segment results represent the results before taxation earned by each segment without allocation of central operating and administrative expenses. All assets are allocated to reportable segments other than unallocated assets which are mainly financial assets at FVPL and bank balances and cash. All liabilities are allocated to reportable segments other than corporate liabilities.

Analyses of the Group's segmental information by business and geographical segments during the year are set out below.

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) By business segments

Segment results for the year ended 31 December 2019

	Tele-communication services *HK$'000*	Financial payment processing solution and software development services and distribution business *HK$'000*	Property development and tourism *HK$'000*	Total *HK$'000*
Revenue				
External sales	**75,054**	**4,156**	**–**	**79,210**
Results				
Segment results	**(5,347)**	**(70,389)**	**(22)**	**(75,758)**
Finance costs	**(34)**	**–**	**–**	**(34)**
	(5,381)	**(70,389)**	**(22)**	**(75,792)**
Unallocated other operating income and expenses				**(158,323)**
Loss before taxation				**(234,115)**

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

Segment assets and liabilities as at 31 December 2019

	Tele-communication services *HK$'000*	Financial payment processing solution and software development services and distribution business *HK$'000*	Property development and tourism *HK$'000*	Total *HK$'000*
Assets				
Assets before following items:	11,000	365	108	11,473
Interests in associates	–	–	56,079	56,079
Segment assets	11,000	365	56,187	67,552
Unallocated assets				12,959
				80,511
Liabilities				
Segment liabilities	(10,872)	(1,211)	(188)	(12,271)
Unallocated liabilities				(66,341)
				(78,612)

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

Other segment information for the year ended 31 December 2019

	Tele-communication services *HK$'000*	Financial payment processing solution and software development services and distribution business *HK$'000*	Property development and tourism *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Capital expenditures	94	–	–	1	95
Interest income	9	524	–	132	665
Amortisation and depreciation	(568)	(14,942)	–	(3,307)	(18,817)
Loss allowances on					
– Trade receivables	(513)	(4,271)	–	–	(4,784)
– Other receivables	(1,175)	(22,626)	–	(7,548)	(31,349)
Impairment losses on property, plants and equipment	(94)	–	–	–	(94)
Impairment losses on right-of-use assets	(238)	–	–	(2,279)	(2,517)
Impairment losses on intangible assets	–	(32,393)	–	–	(32,393)
Impairment losses on goodwill	–	(7,341)	–	–	(7,341)
Financial assets at FVPL – net gain on disposal and fair value changes	–	–	–	(60,593)	(60,593)
Financial assets at FVPL held at the end of the year – net gain on fair value changes	–	–	–	(54,523)	(54,523)
Gain on disposal of property, plant and equipment	5	–	–	227	232
Gain on disposal of interest in associates	–	–	–	195	195
Lease expenses on short-term lease	–	(38)	–	(866)	(904)

2. **REVENUE AND SEGMENT INFORMATION (Continued)**

(a) **By business segments (Continued)**

Segment results for the year ended 31 December 2018

	Tele-communication services *HK$'000*	Financial payment processing solution and software development services and distribution business *HK$'000*	Property development and tourism *HK$'000*	Total *HK$'000*
Revenue				
External sales	46,107	21,813	–	67,920
Results				
Segment results	(5,962)	(48,269)	135	(54,096)
Net gain on disposal of a subsidiary	11,984	–	–	11,984
Finance costs	(7)	–	–	(7)
Share of results of associates	(280)	–	(76)	(356)
	5,735	(48,269)	59	(42,475)
Unallocated other operating income and expenses				27,352
Loss before taxation				(15,123)

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

Segment assets and liabilities as at 31 December 2018

	Tele-communication services *HK$'000*	Financial payment processing solution and software development services and distribution business *HK$'000*	Property development and tourism *HK$'000*	Total *HK$'000*
Assets				
Assets before following items:	15,415	23,423	106	38,944
Intangible assets	–	47,771	–	47,771
Goodwill	–	7,341	–	7,341
Interests in associates	–	–	57,081	57,081
Segment assets	15,415	78,535	57,187	151,137
Unallocated assets				154,566
				305,703
Liabilities				
Segment liabilities	(10,710)	(12,289)	(177)	(23,176)
Unallocated liabilities				(53,782)
				(76,958)

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

Other segment information for the year ended 31 December 2018

	Tele-communication services *HK$'000*	Financial payment processing solution and software development services and distribution business *HK$'000*	Property development and tourism *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Capital expenditures	435	–	62,248	56	62,739
Interest income	4	149	2	78	233
Amortisation and depreciation	(438)	(15,729)	–	(2,341)	(18,508)
Bad debts write off on trade receivables	(28)	–	–	–	(28)
Loss allowances on					
– Trade receivables	(556)	–	–	–	(556)
– Other receivables	–	(45,720)	–	–	(45,720)
Impairment losses on property, plants and equipment	(385)	–	–	–	(385)
Impairment losses on goodwill	–	(5,089)	–	–	(5,089)
Impairment losses on investment in a joint venture	–	(337)	–	–	(337)
Financial assets at FVPL – net gain on disposal and fair value changes	–	–	–	17,800	17,800
Financial assets at FVPL held at the end of the year – net gain on fair value changes	–	–	–	54,431	54,431
Write off of property, plant and equipment	–	–	–	(138)	(138)
Gain on disposal of property, plant and equipment	12	–	–	20	32
Operating lease charges on premises	984	73	–	17,600	18,657

2. REVENUE AND SEGMENT INFORMATION (Continued)

(b) By geographical information

The Group's operations are principally located in Hong Kong, Singapore and the PRC. The following table provides an analysis of the Group's revenue from external customers by geographical market in which the transactions are located:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**29,201**	18,431
The PRC	**4,156**	21,813
Singapore	**45,853**	27,676
	79,210	67,920

The following is an analysis of the carrying amounts of non-current assets (excluding financial instruments) by geographical area in which the assets are located:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**202**	1,262
The PRC	**–**	55,112
	202	56,374

(c) Information about major customers

Revenue from external customers contributing 10% or more of the revenue from the telecommunication services segment is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**26,591**	15,677
Customer B	**9,077**	–

3. OTHER REVENUE AND INCOME

	2019	2018
	HK$'000	*HK$'000*
Exchange gains, net	**–**	66
Interest income from bank	**141**	87
Interest income arising from financial assets at FVPL	**20**	146
Interest income from loan receivable from a non-controlling interest of a subsidiary	**504**	–
Management fee income	**–**	3,009
Others	**1,096**	1,064
	1,761	4,372

4. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting) the following:

	2019	2018
	HK$'000	*HK$'000*
(a) Finance costs		
Interest expenses on lease liabilities	**119**	–
Interest expenses on obligations under finance leases	**–**	7
	119	7
(b) Other items		
Employee salaries and other benefits (including directors' emoluments)	**17,768**	21,569
Retirement benefit scheme contributions	**1,048**	1,410
Total staff costs	**18,816**	22,979
Auditors' remuneration	**2,065**	1,417
Cost of services provided	**65,719**	37,126
Depreciation of:		
– property, plant and equipment	**573**	2,445
– right-of-use assets	**3,302**	–
Amortisation of intangible assets (included in other operating expenses)	**14,942**	16,063
Operating lease charges on premises	**–**	18,657
Lease expenses on short-term leases	**904**	–
Exchange loss (gain), net	**11**	(66)

5. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose in Hong Kong during the years ended 31 December 2019 and 2018.

Overseas (including the PRC and Singapore) taxation represents income tax provisions in respect of certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Overseas income taxes		
– Current year	**(722)**	(4,183)
– Under provision in prior year	**–**	(400)
	(722)	(4,583)
Deferred tax		
Origination and reversal of temporary differences		
– Depreciation allowances	**9,665**	3,558
Total income tax credit (expenses)	**8,943**	(1,025)

6. LOSS PER SHARE

The calculation of the loss per share for the year is based on the consolidated loss attributable to equity holders of the Company of approximately HK$219,027,000 (2018: HK$11,727,000) and the weighted average number of 1,050,280,000 (2018: 1,019,595,068) shares in issue during the year.

The Group has no dilutive potential ordinary shares in issue during the current and prior years and, therefore, the diluted loss per share is the same as basic loss per share for the years presented.

7. INTANGIBLE ASSETS

	2019	2018
	HK$'000	*HK$'000*
Reconciliation of carrying amount – year ended 31 December		
At the beginning of the reporting period	**47,771**	71,199
Amortisation	**(14,942)**	(16,063)
Disposal of a subsidiary	**–**	(4,729)
Impairment losses	**(32,393)**	–
Exchange adjustments	**(436)**	(2,636)
At the end of the reporting period	**–**	47,771

8. GOODWILL

	2019	2018
	HK$'000	*HK$'000*
Reconciliation of carrying amount – year ended 31 December		
At the beginning of the reporting period	**7,341**	12,430
Impairment losses	**(7,341)**	(5,089)
At the end of the reporting period	**–**	7,341
At 31 December		
Costs	**33,464**	33,464
Accumulated impairment losses	**(33,464)**	(26,123)
Net carrying amount	**–**	7,341

8. GOODWILL (Continued)

Goodwill acquired through the business combination in 2016 is allocated to the Group's cash-generating units ("CGUs") under the business segment of financial payment processing solution and software development services business and distribution business for impairment testing as follows:

	2019			2018		
	Financial payment processing solution and software development services business	**Distribution business**	**Total**	Financial payment processing solution and software development services business	Distribution business	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Cost	**7,945**	**25,519**	**33,464**	7,945	25,519	33,464
Accumulated impairment losses	**(7,945)**	**(25,519)**	**(33,464)**	(5,089)	(21,034)	(26,123)
Net carrying amount	**–**	**–**	**–**	2,856	4,485	7,341

The carrying amount of goodwill and intangible assets was allocated to the Group's CGUs identified according to the nature of business as follows for impairment test:

	2019		2018	
	Goodwill	**Intangible assets with finite useful life**	Goodwill	Intangible assets with finite useful life
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial payment processing solution and software development services business	**–**	**–**	2,856	15,958
Distribution business	**–**	**–**	4,485	31,813
	–	**–**	7,341	47,771

8. GOODWILL (Continued)

In light of the continuous losses incurred by the CGUs and the significant decrease in the business activities of these CGUs in the challenging business environment, the Group has appointed an independent professional valuer, Flagship Appraisals and Consulting Limited, having taken into account of the above factors, to perform an appraisal of the values of the financial payment processing solution and software development services business and distribution business at the end of the reporting period.

The recoverable amounts of these CGUs as at 31 December 2019 of approximately HK$716,000 (2018: approximately HK$52,151,000) have been determined based on value in use calculations. The calculation uses cash flow projections based on financial budgets approved by the Board covering a 5-year period. Cash flows beyond the 5-year period has been extrapolated using a 2% long-term growth rate per annum. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Key assumptions used for the calculation of the value in use of these CGUs are as follows:

	Financial payment processing solution and software development services business		Distribution business	
	2019	2018	**2019**	2018
	%	*%*	*%*	*%*
Average growth rate for the 5-year budget period (per annum)	**–**	(2)	**(2)**	14
Long-term growth rate (per annum)	**2**	2	**2**	2
Pre-tax discount rate (per annum)	**23**	33	**23**	30

Management determined the budgeted average growth rate based on past performance and its expectation of market development. The discount rate used reflects specific risks relating to the CGUs of financial payment processing solution and software development services business and distribution business.

Apart from the considerations described above in determining the recoverable amount of the CGUs, the Group's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

As at 31 December 2019, the recoverable amount of the CGU of financial payment processing solution and software development services business amounted to HK$305,000 (2018: HK$10,944,000) and therefore, impairment losses of HK$2,856,000 (2018: HK$5,089,000) and HK$13,847,000 (2018: HK$Nil) against the goodwill and intangible assets respectively have been recognised during the year.

8. GOODWILL (Continued)

As at 31 December 2019, the recoverable amount of the CGU of distribution business amounted to HK$411,000 (2018: HK$41,207,000) and therefore, impairment losses of HK$4,485,000 (2018: HK$Nil) and HK$18,546,000 (2018: HK$Nil) against the goodwill and intangible assets respectively have been recognised during the year.

Sensitivity of Key Assumptions

The management identified that average growth rate is the key assumption in the assessment of the recoverable amounts of the CGUs and considered that a reasonably possible change in the key assumption on an individual CGU basis would not cause significant additional impairment loss.

9. INTEREST IN ASSOCIATES

	2019	2018
	HK$'000	*HK$'000*
Share of net assets	**56,079**	57,081

Details of associates at the end of the reporting period are as follows:

Name of associate	**Principal place of business/ incorporation**	**Particular of issued share capital/ registered capital**	**Proportion of value of registered and paid-up capital indirectly held by the Company**		**Principal activities**
			2019	2018	
Wusu Silk Road Small Towns Cultural Tourism Company Limited* (烏蘇絲路小鎮文旅有限公司) ("Wusu Company") *(note (i))*	The PRC	RMB200,000,000 Registered capital	**25%**	25%	Development and operation of the characteristic town, real estate and cultural tourism
Yibin Xianyuan Lake Small Towns Cultural Tourism Company Limited* (宜賓仙源湖小鎮文旅有限公司) ("Yibin Company") *(note (ii))*	The PRC	RMB200,000,000 Registered capital	**35%**	35%	Development and operation of the characteristic town, real estate and cultural tourism
AsiaCloud (HK) Limited ("AsiaCloud")	Hong Kong	100,000 ordinary share of HK$100,000	**20%**	20%	Provision of telecommunication services
Relevant Marketing Group Limited ("RMGL") *(note (iii))*	Hong Kong/The British Virgin Islands	1,333 ordinary share of US$13	**–**	37.59%	Provision of insurance-related product distribution services and consultancy services

* *For identification purpose only*

9. INTEREST IN ASSOCIATES (Continued)

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Notes:

(i) Wusu Company

In September 2017, the Group entered into an agreement with the Company's substantial shareholder, which held approximately 25% of total issued share capital of the Company through its subsidiary, to develop and operate a characteristic cultural town in Wusu City of the Xinjiang Autonomous Region of the PRC.

In February 2018, Wusu Company was incorporated in the PRC with registered capital of RMB200,000,000, for which the Group contributed RMB50,000,000 (equivalent to approximately HK$62,248,000), representing 25% of equity interests in Wusu Company. Upon the completion of the capital contribution, Wusu Company becomes an associate of the Group and is accounted for using equity method of accounting.

The principal activities of Wusu Company are development and operation of the characteristic town, real estate and cultural tourism in Wusu (the "Wusu City Project"). In February 2018, Wusu Company entered into a construction contract with a third party constructor to carry out the construction work of the characteristic cultural town, a deposits of RMB50,000,000 has been paid to the constructor in 2018 and recognised as prepayment as at 31 December 2018 and 2019.

In May 2018, because of the safety consideration arising from an oil and gas transportation pipeline found under the originally planned Wusu characteristic town construction land, the development of the Wusu City Project was suspended as requested by the Wusu government authority. During the year, having negotiated with Wusu government authority, a relocation of the Wusu City Project to a southern part of the original project site is approved. Although, the construction plan of the Wusu City Project has been delayed, it will be resumed once the relevant documents and certificates of the construction on new site are issued and the approval procedures are completed by Wusu government authority. Any expenditures incurred for the relocation of the Wusu City Project caused by this safety consideration will be compensated by the Wusu government authority.

9. INTEREST IN ASSOCIATES (Continued)

Notes: (Continued)

(ii) Yibin Company

In April 2018, the Group entered into an agreement with a third party to develop and operate a characteristic cultural town in Yibin City of Sichuan Province in the PRC.

In April 2018, Yibin Company was incorporated in the PRC with registered capital of RMB200,000,000, for which Group has committed to contribute RMB70,000,000 (equivalent to HK$78,400,000) before 3 April 2028, representing 35% equity interest of Yibin Company. As at the end of the reporting period and up to the date of this report, no contribution has been made by the Group. Upon its incorporation, Yibin Company becomes an associate of the Group and is accounted for using equity method of accounting.

The principal activities of Yibin Company would be development and operation of the characteristic town, real estate and cultural tourism in Yibin City. As at 31 December 2019, Yibin Company remained inactive since its incorporation.

(iii) RMGL

As at 31 December 2018, the Group held 37.59% issued share capital of RMGL with share of net liabilities of RMGL to zero. In May 2019, the Group disposed of its entire equity interest in RMGL at a consideration of HK$195,000. A gain on disposal of HK$195,000 was recognised in profit or loss during the year.

Fair value of investments

All of the above associates are private companies and there is no quoted market price available for the investments.

9. INTEREST IN ASSOCIATES (Continued)

Financial information of individually material associates

Summarised financial information of each of the material associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	Wusu Company	
	2019	2018
At 31 December	***HK$'000***	*HK$'000*
Gross amount		
Non-current assets	**56,001**	57,089
Current assets	**134**	48
Current liabilities	**(172)**	(175)
Equity	**55,963**	56,962
Unpaid capital contribution from a major shareholder	**168,000**	171,000
	223,963	227,962
Group's ownership interests	**25%**	25%
Group's share of equity and carrying amount of interests	**55,991**	56,991

9. INTEREST IN ASSOCIATES (Continued)

Financial information of individually material associates (Continued)

	Year ended 31 December 2019 *HK$'000*	Period from the date of incorporation to 31 December 2018 *HK$'000*
Gross amount		
Revenue	**–**	–
Loss for the year/period	**–**	(40)
Other comprehensive loss for the year/period attributable to the Group	**(1,000)**	(5,248)
Total comprehensive loss for the year/period	**(1,000)**	(5,288)
Group's share of:		
Loss from operations for the year/period	**–**	(10)
Other comprehensive loss for the year/period	**(1,000)**	(5,248)
Total comprehensive loss for the year/period	**(1,000)**	(5,258)
Dividend received from the associate	**–**	–

9. INTEREST IN ASSOCIATES (Continued)

Financial information of individually immaterial associates

The table below shows, in aggregate, the carrying amount and the Group's share of results of associates, which are not material and accounted for using the equity method.

At 31 December	**2019** ***HK$'000***	2018 *HK$'000*
Gross amount		
Current assets	**167**	170
Non-current assets	**205**	209
Current liabilities	**(119)**	(122)
Equity	**253**	257
Group's share of equity and carrying amount of interests	**88**	90

Year ended 31 December	**2019** ***HK$'000***	2018 *HK$'000*
Group's share of:		
Loss for the year	**–**	(346)
Other comprehensive loss for the year	**(2)**	(9)
Total comprehensive loss for the year	**(2)**	(355)

Unrecognised share of losses of associates

The Group's share of losses of AsiaCloud exceeds its investment cost. As at 31 December 2019 and 2018, share of net liabilities of AsiaCloud was limited to zero. The unrecognised share of losses of AsiaCloud for the current year and cumulatively up to the end of the reporting period amounted to HK$nil (2018: HK$308,000) and HK$308,000 (2018: HK$308,000) respectively.

9. INTEREST IN ASSOCIATES (Continued)

Commitments

The Group has the following unrecognised commitments relating to its interests in associate:

	2019	2018
	HK$'000	*HK$'000*
Commitments to contribute the paid-up capital of Yibin Company of RMB70,000,000	**78,400**	79,800

10. FINANCIAL ASSETS AT FVPL

	2019	2018
	HK$'000	*HK$'000*
Held for trading		
Equity investments listed in Hong Kong	**1,448**	129,806
Unlisted investment fund	**123**	1,448
	1,571	131,254

At the end of the reporting period, the carrying amounts of financial assets designated as FVPL represent the maximum exposure to credit risk of those financial assets, if applicable.

11. TRADE AND OTHER RECEIVABLES

	Notes	2019 HK$'000	2018 HK$'000
Trade receivables			
From third parties		**15,559**	13,990
From an associate		**–**	313
		15,559	14,303
Loss allowances		**(9,332)**	(4,697)
	(a)	**6,227**	9,606
Other receivables			
Deposits		**2,263**	2,111
Prepayments		**376**	1,083
Other debtors	*(b)*	**21,721**	59,688
Due from securities broker		**3**	215
Due from an associate	*(c)*	**1,350**	1,000
Loan receivable from a non-controlling interest of a subsidiary	*(d)*	**11,825**	11,591
Consideration receivable from disposal of a subsidiary		**–**	1,670
		37,538	77,358
Loss allowances on other debtors and due from an associate and a non-controlling interest of a subsidiary		**(30,952)**	(43,433)
		6,586	33,925
		12,813	43,531

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) The Group's credit terms on sales mainly ranged from 30 to 90 days. Included in trade and other receivables are trade receivables (net of loss allowances) with the following ageing analysis by invoice date:

	2019	2018
	HK$'000	*HK$'000*
Less than 1 month	**4,625**	5,995
1 to 3 months	**875**	328
More than 3 months but less than 12 months	**286**	2,976
More than 12 months	**441**	307
	6,227	9,606

(b) During the year, a PRC subsidiary of the Group had made several payments to 6 individuals and entities in aggregate of HK$5,090,000 for the purpose of relationship building with those individuals and entities for business referral. During the year, impairment losses on the payments to the individuals or entities during the year, together with other debtors with carrying amounts of HK$5,314,000 as at 31 December 2018, in aggregate of HK$10,404,000 were made as at 31 December 2019. In view of these debts were overdue and prolonged outstanding without settlement, the management considers their financial position of these debtors may have been deteriorated and that the recoverability of these receivables is in doubt. Therefore, full loss allowances of HK$10,404,000 have been made in profit or loss during the year.

Included in other debtors as at 31 December 2019 was a receivable of HK$5,049,000 (2018 HK$5,348,000) in relation to a management fee income due from a public company, in which the Company's former director, Mr. Yeung has beneficial interest. In view of deterioration in the financial position of the debtor and the result of negotiation, the management considers the recoverability of the amounts due is in doubt. Therefore, loss allowances of approximately HK$3,244,000 were made during the year.

Included in other debtors as at 31 December 2019 was a receivable of HK$4,304,000 (2018 HK$4,304,000) due from a third party which was arising from the proceeds from the disposal of financial assets at fair value through profit or loss in 2017. In view of the prolonged outstanding and lost contact with the debtor, the management considers that the recoverability of these receivables is in doubt. Therefore, full loss allowances of HK$4,304,000 have been made in profit or loss during the year.

11. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) (Continued)

Included in other debtors as at 31 December 2018 were advancements of HK$43,433,000 made to a company which is owned by the managing director of a PRC subsidiary of the Group. Although, a non-controlling interest of a subsidiary had provided an undertaking to indemnify the Group against any losses from non-recovery of the advances of HK$24,625,000, the management considered it is probable that the debtor will enter bankruptcy/liquidation or other financial reorganisation and the recoverability of the amounts due was in doubt. Therefore, full amount of loss allowances of HK$43,433,000 was provided during the year ended 31 December 2018. The debtor was finally deregistered in November 2019, the loss allowances of HK$43,433,000 was written off accordingly for year ended 31 December 2019.

(c) As at 31 December 2018, amount due from an associate of HK$1,000,000 which was the consideration receivable from the disposal of assets of a business unit in 2017 were unsecured, interest-free and repayable on demand. During the year, advance to the associate of HK$350,000 was unsecured, interest-free and repayable on demand. At the end of the reporting period, the business of the associate was closed due to unsatisfactory performance. In view of the financial position of the associate has been deteriorated, the management considers that the recoverability of these receivables of HK$1,350,000 was in doubt. Therefore, loss allowances of HK$1,175,000 have been made in profit or loss during the year.

(d) As at 31 December 2019, loan receivable of RMB10,168,000 (equivalent to HK$11,388,000) from a non-controlling interest of a subsidiary is unsecured, interest bearing at the fixed rate of 4.35% per annum and repayable in December 2020 (2018: unsecured, interest bearing at the fixed rate of 4.35% per annum and repayable in December 2019). In view of the default of repayment of principal and interest of the loan, prolonged outstanding without settlement, the management considers it is probable that the recoverability of the loan receivable was in doubt. Therefore, loss allowances of RMB10,558,000 (equivalent to HK$11,825,000) have been fully made as the loan receivable of RMB10,168,000 (equivalent to HK$11,388,000) and interest receivable of RMB390,000 (equivalent to HK$437,000) in profit or loss during the year (2018: HK$nil).

12. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables to third parties	**3,925**	5,893
Other payables		
Accrued charges and other creditors	**17,253**	8,179
Contract liabilities	**1,579**	1,505
Consideration payable	**37,172**	37,172
Due to a former director	**12,393**	12,393
Due to associates	**398**	793
Loans from directors	**2,840**	–
	71,635	60,042
	75,560	65,935

Ageing analysis of trade payables by invoice date is summarised as follows:

	2019	2018
	HK$'000	*HK$'000*
Less than 1 month	**968**	3,892
1 to 3 months	**1,483**	789
More than 3 months but less than 12 months	**416**	127
More than 12 months	**1,058**	1,085
	3,925	5,893

13. DEFERRED TAXATION

Recognised deferred tax liabilities

The movements of recognised deferred tax liabilities for the year were as follows:

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the reporting period	**(9,666)**	(13,782)
Credit to profit or loss	**9,665**	3,558
Exchange adjustments	**1**	558
At the end of the reporting period	**–**	(9,666)

14. SHARE CAPITAL

	2019		2018	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At the beginning and **the end of the reporting period**	**12,000,000,000**	**120,000**	12,000,000,000	120,000
Issued and fully paid:				
At the beginning of the reporting period	**1,050,280,000**	**10,503**	875,280,000	8,753
Shares issued upon placing	**–**	**–**	175,000,000	1,750
At the end of the reporting period	**1,050,280,000**	**10,503**	1,050,280,000	10,503

15. EVENTS AFTER THE REPORTING PERIOD

(a) Impact of Coronavirus Disease 2019 ("COVID-19")

In view of the outbreak of COVID-19 in January 2020 in the PRC, the PRC authority has taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19.

At the date of authorisation of this announcement, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19.

(b) On 13 May 2020, the Group has entered into a sales and purchase agreement to dispose of a wholly-owned subsidiary, which in turn held the Group's entire equity interest in associates, Wusu Company and Yibin Company, at an aggregate consideration of RMB50,000,000. Further detail of the disposal has been set out in the announcement dated 13 May 2020.

As at the date of this announcement, in addition to disclosure elsewhere in the result announcement, there is no significant subsequent event of the Group after the reporting period.

MATERIAL DIFFERENCES BETWEEN 2019 UNAUDITED AND AUDITED ANNUAL RESULTS

Reference is made to the 2019 Unaudited Annual Results Announcement. Since subsequent adjustments have been made to the unaudited annual results of the Group contained in the 2019 Unaudited Annual Results Announcement upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the following material differences between the unaudited annual results of the Group contained in the 2019 Unaudited Annual Results Announcement and the audited annual results of the Group in this announcement.

Item for the year ended 31 December 2019	*Note*	**2019** *HK$'000* (Audited)	**2019** *HK$'000* (Unaudited)	**Difference** *HK$'000*
Consolidated statement of profit or loss and other comprehensive income				
Operating and administrative expenses	*(a)*	(34,998)	(35,014)	16
Other operating expenses	*(b)*	(19,339)	(19,888)	549
Impairment losses on right-of-use assets	*(c)*	(2,517)	–	(2,517)
Impairment losses on intangible assets	*(d)*	(32,393)	(24,434)	(7,959)
Loss allowances on				
– Trade receivables	*(e)*	(4,784)	(140)	(4,644)
– Other receivables	*(f)*	(31,349)	(16,689)	(14,660)
Write off of property, plant and equipment	*(g)*	(16)	–	(16)
Income tax credit	*(h)*	8,943	8,876	67
Loss for the year	*(i)*	(225,172)	(196,008)	(29,164)
Exchange differences on translation of foreign subsidiaries	*(j)*	(455)	(924)	469

MATERIAL DIFFERENCES BETWEEN 2019 UNAUDITED AND AUDITED ANNUAL RESULTS (CONTINUED)

Item for the year ended 31 December 2019	*Note*	**2019** *HK$'000* (Audited)	**2019** *HK$'000* (Unaudited)	**Difference** *HK$'000*
Consolidated statement of financial position				
Non-current assets				
Right-of-use assets	*(c)*	–	2,517	(2,517)
Intangible assets	*(k)*	–	7,819	(7,819)
Current assets				
Trade and other receivables	*(l)*	12,813	31,239	(18,426)
Net current liabilities	*(m)*	(56,766)	(38,340)	(18,426)
Non-current liabilities				
Deferred tax liabilities	*(n)*	–	66	(66)
Net assets	*(o)*	1,899	30,595	(28,696)

Notes:

(a) The difference in operating and administrative expenses of approximately HK$16,000 was mainly due to the reclassification to write off of property, plant and equipment.

(b) The difference in other operating expenses of approximately HK$549,000 was mainly due to the reclassification to loss allowances on trade receivables and other receivables amounted to approximately HK$373,000 and HK$176,000 respectively.

(c) The difference in impairment losses on right-of-use assets and right-of-use assets of approximately HK$2,517,000 was mainly due to recognition of impairment loss based on the assessment on the recoverable amount.

(d) The difference in impairment losses on intangible assets of approximately HK$7,959,000 was mainly due to the adjustments upon finalisation of valuation work.

MATERIAL DIFFERENCES BETWEEN 2019 UNAUDITED AND AUDITED ANNUAL RESULTS (CONTINUED)

Notes: (Continued)

(e) The difference in loss allowances on trade receivables of approximately HK$4,644,000 was mainly due to the reclassification from other operating expenses and loss allowances recognised in light of the enhanced credit risk.

(f) The difference in loss allowances on other receivables of approximately HK$14,660,000 was mainly due to the reclassification from other operating expenses and loss allowances recognised in light of the enhanced credit risk.

(g) The difference in write off of property, plant and equipment of approximately HK$16,000 was mainly due to the reclassification from operating and administrative expenses.

(h) The difference in income tax credit of approximately HK$67,000 was mainly due to the deferred tax liabilities credited to profit or loss upon adjustment of the impairment loss on intangible assets and exchange difference.

(i) The difference in loss for the year of approximately HK$29,164,000 was mainly due to adjustments of the items set out herein.

(j) The difference in exchange differences on translation of foreign subsidiaries of approximately HK$469,000 was mainly due to exchange difference recognised from the adjustments related to the foreign subsidiaries.

(k) The difference in intangible assets of approximately HK$7,819,000 was mainly due to further impairment loss recognised upon finalisation of valuation work.

(l) The difference in trade and other receivables of approximately HK$18,426,000 was mainly due to further loss allowances recognised in light of the enhanced credit risk.

(m) The difference in net current liabilities of approximately HK$18,426,000 was mainly due to the adjustments of the items set out herein.

(n) The difference in deferred tax liabilities of approximately HK$66,000 was mainly due to the deferred tax liabilities credited to profit or loss upon intangible assets had been fully impaired.

(o) The difference in net assets of approximately HK$28,696,000 was mainly due to the adjustments of the items set out herein.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

BUSINESS REVIEW

Overall review

Over the past decade, the Group has been focusing on the Telecom Business. During the year under review, as a result of our process of streamlining the Telecom Business, the Group's revenue increased by 16.6% to approximately HK$79.2 million compared to approximately HK$67.9 million for the prior year, and the overall gross margin of the Group (as a percentage of its revenue) dropped to 17.0% compared to 45.3% for the prior year.

Loss from operations for the year was approximately HK$40.8 million, representing a decrease of 12.8% compared to loss of approximately HK$46.8 million for the previous year due to more efficient management of cost control. Loss attributable to equity holders of the Company of approximately HK$219.0 million was recorded for the Year as compared with loss of approximately HK$11.7 million for the prior year. Such significant increase of loss was mainly attributable to the net loss on disposal of listed securities and unrealised fair value losses in respect of investment in listed securities held for trading and the impairment loss on the intangible assets and other receivables.

Telecom Business (telecommunication and information technology business)

Total revenue recorded by the Telecom Business, which comprises the voice telecommunication and information technology businesses in Singapore and Hong Kong, and remains as the Group's major revenue contributor in 2019, was approximately HK$75.1 million, representing an increase of 62.9% compared to approximately HK$46.1 million for the prior year. Such increase was mainly attributable to the expansion of the Group's wholesale voice telecommunications segment of the Telecom Business during the year under review. In view of the growth of the wholesale voice telecommunication business, barring the unforeseen circumstances, the Group will keep striving to develop its wholesale voice telecommunications, and/or channel-driven service distribution business segment(s) so as to maintain a comparable level of business activities of the Telecom Business as in past years.

BUSINESS REVIEW (CONTINUED)

Telecom Business (telecommunication and information technology business) (Continued)

The Group is advancing its progress in building its infrastructure and team in servicing the wholesale voice telecommunications segment, while diligent in rationalising its cost structure for the Telecom Business. At the same time, the Group is also pursuing different opportunities that may expand the business portfolio of the Group in the Telecommunications, Media & Technology (TMT) sector.

IT and Distribution Business (financial payment processing solution and software development services, and distribution business)

Total revenue from the IT and Distribution Business was approximately HK$4.2 million that was all attributable to the financial payment processing solution and software development services segment, and recorded a decrease of 80.7% compared to approximately HK$21.8 million for the previous year, mainly due to that no revenue was generated from distribution business segment during the year under review.

As at the date of this announcement, Hangzhou Susong Technology Company Limited*（杭州蘇頌科技有限公司）(“Hangzhou Susong”), an indirect subsidiary of the Company, has not recovered the advances to Zhejiang Hong Lan Investment Company Limited*（浙江宏瀾投資有限公司）(“Hong Lan”) as per the announcement of the Company dated 28 April 2019. The Group will keep striving to look for solutions to recover the advances including taking necessary legal actions against relevant parties of Hong Lan and requesting for the execution of the indemnity. Due to the effect of COVID-19 causing the difficulty of traveling, investigation and negotiation in Hangzhou China the business area of the related parties, the Group is still discussing about any potential effective action plan regarding to the legal actions or the execution of indemnity. In addition, after continuously reviewing the possibility of receiving other account receivables by Hangzhou Susong, the Group is taking prudent view to make necessary provision to such other account receivables considering the age and the overall business environment.

Due to the significant decrease of revenue from IT and Distribution Business of which the performance has been falling short of our expectation as originally contemplated at the time of acquisition of such business in 2016, and facing increasingly challenging and uncertain business environment, the Company will continue to negotiate with potential buyers in relation to potential disposal of entire equity interest in Stage Charm Limited (the holding company of IT and Distribution Business).

BUSINESS REVIEW (CONTINUED)

Property development and tourism business

During the year under review, the construction plan for the characteristic town in Wusu city has been delayed due to safety consideration arising from an oil and gas transportation pipeline that was found under the originally planned construction land of Wusu characteristic town. Though the new construction land is under planning and discussion status, we expect that the characteristic town project in Wusu city will not generate investment returns to the Group in the short term.

As disclosed in the announcement of the Company dated 13 May 2020, the Company has entered into the legally binding sales and purchase agreement with an independent third party in relation to potential disposal of entire equity interest in B&R Investment Holding Limited, which in turn holds 25% equity interest in a PRC company engaging in the development of the aforesaid characteristic town project. The potential disposal constitutes a major transaction of the Company and is subject to its shareholders' approval. We believe the potential disposal is an opportunity to enable the Group's capital resources to be utilised more efficiently to support the Group's operation and business plan.

Outlook

Looking ahead, facing the increasing uncertainties arising from the outbreak of COVID-19 that severely impacts the global economy, and the ongoing uncertainties arising from US-China trade tensions that adversely affects economic environment and confidence, the Group will carry on its journey in finding a delicate balance in deploying its resources between maintaining the sustainability and relevance of the Telecom Business in the competitive market, and diversifying its business portfolio by engaging in new business opportunities arising from the Belt and Road Initiative as well as other potential investment opportunities. Moreover, the Group also believes that there would still be potential business opportunities in the industries of new emerging technology and information technology during the period of economic downturn due to COVID-19 in the future.

Through actively pursuing other investment opportunities to improve business performance, increasing operational efficiency and realising business synergy, it is expected that sustainable and steady business growth can be achieved and a more promising return can be offered to the Group and its shareholders as a whole.

FINANCIAL REVIEW

Turnover and results

The revenue of the Group for the Year amounted to approximately HK$79.2 million, representing an increase of 16.6% compared to the prior year, mainly due to the increase in revenue from the Telecom Business.

The overall gross margin of the Group for the Year was 17.0%, compared to 45.3% for the prior year. The gross profit for the Year decreased by 56.2% to approximately HK$13.5 million, compared to approximately HK$30.8 million for the previous year. The decrease in gross profit was mainly due to the decline in revenue contribution of the IT and Distribution Business in 2019. In addition, the Group expanded wholesale voice telecommunications segment of the Telecom Business in 2019 which has lower gross margin. The change in business mix resulted in lower gross margin in 2019.

Total operating expenses of the Group for the Year amounted to approximately HK$56.1 million, compared to approximately HK$81.9 million in the previous year. The decrease was mainly due to lower staff costs and selling and distribution expenses after the streamline of business portfolio of the Telecom Business, rental deduction after the termination of an office lease in September 2018.

The Group recorded unrealised net loss on fair value changes and a net loss on disposal and fair value changes of approximately HK$54.5 million and approximately HK$60.6 million respectively (2018: approximately HK$54.4 million of unrealised net gain on fair value changes and approximately HK$17.8 million of net gain on disposal and fair value changes) in respect of financial assets at FVPL in 2019. The unrealised net loss on fair value changes was mainly due to significant drop of fair value in SingAsia Shares in 2019.

The Group has appointed independent professional valuer to perform an appraisal of the values in use of Hangzhou Susong as at 31 December 2019. As a result of downward adjustment on the financial forecast, the Group recorded an impairment loss on goodwill and intangible assets of approximately HK$7.3 million and HK$32.4 million respectively (2018: approximately HK$5.1 million and nil).

The operating loss of the Group amounted to approximately HK$40.8 million, as compared to a loss of approximately HK$46.8 million for the previous year.

Loss attributable to the equity holders of the Company amounted to approximately HK$219.0 million, as compared to a loss of approximately HK$11.7 million for the previous year.

FINANCIAL REVIEW (CONTINUED)

Circumstances leading to the impairment loss of Hangzhou Susong

Total revenue of Hangzhou Susong in 2019 decreased by 80.7% compared to 2018, mainly due to that no revenue was generated from distribution business segment during the year.

In light of the declining revenue and challenging business environment in the IT and Distribution Business, the Group anticipated a lower financial forecast in the IT and Distribution Business, resulting in the recognition of impairment loss on goodwill and intangible assets of approximately HK$7.3 million and HK$32.4 million respectively in 2019.

The table below sets out the valuation method, major assumptions and details of the value of inputs used in the valuation for determining the impairment made in 2018 and 2019 respectively:

	Valuation in relation to the 2019 Impairment	**Valuation in relation to the 2018 Impairment**
Valuation date	31 December 2019	31 December 2018
Valuation methodology	Discounted cash flow, income approach	Discounted cash flow, income approach
Major assumptions	Revenue growth	Revenue growth
	• Average growth rate of –1% from 2020 to 2024	• Average growth rate of 5% from 2019 to 2023
	• Average growth rate of 0% for IT Business from 2020 to 2024	• Average growth rate of –2% for IT Business from 2019 to 2023
	• Average growth rate of –2% for distribution business from 2020 to 2024	• Average growth rate of 14% for distribution business from 2019 to 2023

Circumstances leading to the impairment loss of Hangzhou Susong (Continued)

	Valuation in relation to the 2019 Impairment	**Valuation in relation to the 2018 Impairment**
	Gross margins	Gross margins
	Range from 73% to 74% during the forecast period between 2020 to 2024	Range from 82% to 90% during the forecast period between 2019 and 2023
	Corporate tax rate	Corporate tax rate
	25%	25%
	Terminal growth	Terminal growth
	2%	2%
Discount rate (pre-tax)	23%	31%
	23% for IT Business	33% for IT Business
	23% for distribution business	30% for distribution business

Reasons for the change in assumptions used in the valuation for the 2019 Impairment as compared with the assumptions used in the valuation for the 2018 Impairment

(i). Financial forecast

Hangzhou Susong has two revenue sources, namely, IT Business and distribution business. The income from distribution business declined significantly during the year as a result of unstable global economy and weakened consumption market. Meanwhile, the income from IT Business also declined which facing a competitive market. The management of Hangzhou Susong considers revenue from IT and Distribution Business could not meet the expected revenue in the previous forecast. Therefore, the management decides to further lower the financial forecast for IT and Distribution Business for the 2019 Impairment.

FINANCIAL REVIEW (CONTINUED)

Reasons for the change in assumptions used in the valuation for the 2019 Impairment as compared with the assumptions used in the valuation for the 2018 Impairment (Continued)

(ii). Discount rate

The discount rates applied were estimated based on the same methodology as in the previous year. The difference between the adopted discount rates in 2018 and 2019 was mainly due to the change in the adopted market parameters including debt-to-equity ratios, risk-free rates and cost of debt. The adopted debt-to-equity ratios made reference to listed comparable companies' trading data, while the adopted risk-free rates and cost of debt made reference to market information in China where Hangzhou Susong operates.

Pre-tax discount rate has a positive relation with the expected amount of tax expenses. In light of the change in outlook of business, the tax expenses of Hangzhou Susong are expected to be much lower than those expected in the financial forecast in the previous year. Therefore, the pre-tax discount rate in 2019 is significant lower than that in 2018.

Capital structure, liquidity and financing

As at 31 December 2019, the net assets of the Group amounted to approximately HK$1.9 million compared to approximately HK$228.7 million as at 31 December 2018. The net assets decreased significantly in 2019 mainly due to the decrease in fair value of financial assets at FVPL and recognition of impairment loss on other receivables, goodwill and intangible assets.

Capital expenditures for the year amounted to approximately HK$0.1 million, compared to approximately HK$62.7 million in 2018.

Bank balances and cash (excluding pledged bank deposits) amounted to approximately HK$6.7 million as at 31 December 2019 (2018: approximately HK$13.9 million). On the same date, total pledged bank deposits amounted to approximately HK$0.7 million (2018: approximately HK$0.9 million). Bank guarantees of approximately HK$0.7 million (2018: approximately HK$0.8 million) were issued to suppliers for operation requirements.

FINANCIAL REVIEW (CONTINUED)

Capital structure, liquidity and financing (Continued)

As at 31 December 2019, the Group had loan from directors of approximately HK$2.8 million (2018: Nil). As at 31 December 2019, the Group had lease liabilities amounted to approximately HK$3.1 million (2018: Nil).

As at 31 December 2019, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 310.3% (2018: 0.1%).

Foreign exchange exposure

The Group has certain assets, liabilities, and transactions which are denominated in Singapore dollars and Renminbi. The Group continues to closely monitor the exchange rates of each of Singapore dollar, Hong Kong dollar and Renminbi and will, whenever appropriate, take appropriate action to mitigate such exchange risks. As at 31 December 2019, no related currency hedges had been undertaken by the Group.

Contingent liabilities and capital commitments

In April 2018, the Group entered into an agreement with a third party to develop and operate a characteristic cultural town in Yibin City of Sichuan Province in the PRC. In April 2018, Yibin Xianyuan Lake Small Towns Cultural Tourism Company Limited*（宜賓仙源湖小鎮文旅有限公司）was incorporated in the PRC with registered capital of RMB200,000,000, for which the Group has committed to contribute RMB70,000,000 before 3 April 2028, representing equity interest in 35% of Yibin Company. As at the end of the reporting period and up to the date of this announcement, no contribution has been made by the Group.

Other than the above, there were no material contingent liabilities or capital commitments as at 31 December 2019.

FINANCIAL REVIEW (CONTINUED)

Significant investments held and performance

As at 31 December 2019, the Group held for trading investments in securities in Hong Kong (collectively, the "Investments") with a market value of approximately HK$1.4 million (31 December 2018: approximately HK$129.8 million), representing an investment portfolio of five (31 December 2018: five) listed equities in Hong Kong. The Group recorded unrealised net loss on fair values changes and a net loss on disposal and fair value changes of approximately HK$54.5 million and approximately HK$60.6 million respectively (2018: approximately HK$54.4 million of unrealised net gain on fair value changes and approximately HK$17.8 million of net gain on disposal and fair value changes) in respect of financial assets at FVPL in 2019. The significant decrease in fair value for those held as at 31 December 2019 was mainly due to the decrease in the stock price of the shares of SingAsia Holdings Limited ("SingAsia Share") in 2019. The details of the Investments as at 31 December 2019 were as follows:

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised loss on disposal for the year *HK$'000*	Unrealised loss on fair value change for the year *HK$'000*	Fair value as at 1 January 2019 *HK$'000*	Fair value as at 31 December 2019 *HK$'000*	% of net assets	Principal activities
1 New Provenance Everlasting Holdings Limited	02326	1,000,000	0.01%	–	(13)	30	17	0.90%	Sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products and utilities, sale of electrical and electronic consumer products and provision of logistics services
2 SingAsia Holdings Limited	08293	8,500,000	0.57%	(60,593)	(53,057)	127,386	494	26.00%	Provide manpower outsourcing services, manpower recruitment services and manpower training services based in Singapore
3 China Saite Group Company Limited	00153	5,040,000	0.17%	–	(1,069)	1,865	796	41.92%	Construction of steel structure and prefabricated construction projects
4 Haitian Energy International Limited	01659	2,576,000	0.03%	–	(340)	340	–	0.00%	Hydropower generation and provision of power operation, repair and maintenance services
5 Sino Harbour Holdings Group Limited	01663	1,000,000	0.04%	–	(44)	185	141	7.42%	Property development and car parking spaces operation
				(60,593)	(54,523)	129,806	1,448		

During the year, the Group had not received dividend from the Investments held (2018: Nil).

The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the Hong Kong stock market and are susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board maintains a diversified investment portfolio across various segments of the market and also closely monitors the performance of its investment portfolio.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 35 (2018: 41) employees in China, Hong Kong and Singapore and its total staff costs for the year ended 31 December 2019 were approximately HK$18.8 million (2018: approximately HK$23.0 million).

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employees and are in line with local market practices where the Group operates. In addition to salary and bonus payments, the Group also offers other fringe benefits, including provident fund and medical benefits, to employees. A new share option scheme was adopted by the Company on 28 June 2018 as an incentive to Directors and employees. Directors' remuneration is decided by the remuneration committee of the Company (the "Remuneration Committee"), having regard to the Company's operating results, individual performance and comparable market statistics. The Group also provides relevant trainings to its employees in accordance with the skill requirements of different positions.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders and enhance long-term shareholder value. Except for the non-compliance and deviations described below, the Directors are not aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2019, acting in compliance with the code provisions (the "Code Provisions") of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") set out in Appendix 14 to the Listing Rules.

Pursuant to Code Provision C.1.2 of the Corporate Governance Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. From January to June 2019, the management of the Company did not provide monthly management accounts of the Group's subsidiaries to the Directors. Since July 2019, the management of the Company has provided monthly updates on the Group's performance, position and prospects and tried its best endeavors to provide management accounts of the Group's subsidiaries to the Directors.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE (CONTINUED)

Pursuant to Code Provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meetings of the Company and should also invite the chairman of each of the audit, remuneration, nomination and any other committees of the Company to attend. Mr. Zhao Ruiyong, the chairman of the Board and the chairman of the nomination committee of the Company (the "Nomination Committee"), and Mr. Huang Tao, the chairman of the Remuneration Committee, did not attend the annual general meeting of the Company held on 28 June 2019 ("2019 AGM") as they were not in Hong Kong. Mr. Cheung Ka Heng Frankie, the vice-chairman of Board and the then member of the Remuneration Committee, as well as Mr. Fung Wai Shing, the then member of the Remuneration Committee and the Nomination Committee, attended 2019 AGM and were available to answer questions at the 2019 AGM.

INSUFFICIENT NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 3.10 of the Listing Rules, the Board must include at least three independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. Pursuant to Rule 3.21 of the Listing Rules, the audit committee of the Company (the "Audit Committee") must comprise a minimum of three members and at least one of the members of the Audit Committee is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules; and the Audit Committee must be chaired by an independent non-executive Director. Immediately after the resignation of Mr. Fung Wai Shing as an independent non-executive Director and the chairman of the Audit Committee on 20 December 2019, the Company fell below the requirements of Rules 3.10 and 3.21 of the Listing Rules. The Company had made its best endeavours to identify suitable candidates to be additional independent non-executive Director(s) in order to comply with the Listing Rules. On 20 February 2020, Mr. Fong Wai Ho, who possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, was appointed as an independent non-executive Director and the chairman of the Audit Committee; Mr. Leung Wai Kei and Mr. Lam Chik Shun Marcus were appointed as independent non-executive Directors. Following these appointments, the Company has fully complied with the requirements of Rules 3.10 and 3.21 of the Listing Rules.

REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee reviewed, with the external auditor of the Company, the audited consolidated financial statements of the Group for the year ended 31 December 2019. Based on this review and discussions with the management of the Company, the Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2019.

EVENTS AFTER THE REPORTING PERIOD

Details of the important events affecting the Group which have occurred since the end of the reporting period are set out in note 15 to this announcement.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2019, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year then ended as set out in the preliminary result announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2019. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary result announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the Company independent auditor's report from Mazars CPA Limited, the external auditor of the Group, on the Group's consolidated financial statements for the year ended 31 December 2019:

EXTRACT OF INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Qualified Opinion

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

Basis for Qualified Opinion

(a) Recoverability of trade and other receivables

Included in trade and other receivables as at 31 December 2019 are amounts due from two customers and several debtors of HK$4,196,000 and HK$16,691,000 respectively, full loss allowances have been made during the year. We were unable to obtain sufficient appropriate audit evidence to assess the recoverable amounts of trade and other receivables from these customers and debtors as at 31 December 2019. Therefore, we were unable to determine whether any adjustments to the impairment loss recognised during the year ended 31 December 2019 in respect of the trade and other receivables were necessary, which might have a significant impact on the Group's financial position as at 31 December 2019, and its financial performance and the elements making up the consolidated statement of cash flows for the year ended 31 December 2019 and related disclosures in the consolidated financial statements.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Basis for Qualified Opinion (Continued)

(b) Payments to several debtors

During the course of our audit of the consolidated financial statements for the year ended 31 December 2019, it came to our attention that bank payments in aggregate of approximately HK$5,090,000 ("Payments") as recorded in the other receivables were not substantiated with relevant supporting documents, full loss allowances have been made during the year. We were unable to obtain sufficient appropriate audit evidence to ascertain the validity of the recorded transactions and assess the recoverable amounts of the other receivables as at 31 December 2019. Therefore, we are unable to satisfy ourselves that these payments were properly accounted for and disclosed or determine whether any adjustments to the impairment loss recognised during the year ended 31 December 2019 in respect of the other receivables were necessary, which might have a significant impact on the Group's financial position as at 31 December 2019, and its financial performance and the elements making up the consolidated statement of cash flows for the year ended 31 December 2019 and related disclosures in the consolidated financial statements.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group experienced a loss of HK$225,172,000 for the year ended 31 December 2019 and had net current liabilities HK$56,766,000 as at 31 December 2019. These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

PUBLICATION OF FURTHER INFORMATION

The 2019 Annual Report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

APPRECIATION

The Board would like to take this opportunity to express gratitude to all of our shareholders and business associates for their continuous support and to all our staff for their dedication and contribution to the Group.

By Order of the Board
Great Wall Belt & Road Holdings Limited
Zhao Ruiyong
Chairman and Executive Director

Hong Kong, 15 May 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhao Ruiyong, Ms. Li Bing, Mr. Cheung Ka Heng Frankie and Mr. Cheung Siu Fai, and five independent non-executive Directors, namely Mr. Zhao Guangming, Mr. Huang Tao, Mr. Fong Wai Ho, Mr. Leung Wai Kei and Mr. Lam Chik Shun Marcus.

* *for identification purpose only*