AMCO
United Holding Limited
雋泰控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 630)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS

The board (the "Board") of directors (the "Directors") of AMCO United Holding Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019, together with the comparative figures for the previous year, as follows.

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	*3, 4*	**67,707**	112,279
Cost of sales and services		**(48,914)**	(88,712)
Gross profit		**18,793**	23,567
Other income and other gains or losses	*5*	**(10,454)**	(9,708)
Distribution costs		**(130)**	(235)
Administrative expenses		**(39,933)**	(39,731)
Finance costs		**(3,077)**	(666)
Loss before income tax	*6*	**(34,801)**	(26,773)
Income tax credit	*7*	**255**	21
Loss and total comprehensive income for the year attributable to owners of the Company		**(34,546)**	(26,752)
Loss per share			
Basic and diluted	*8*	**HK(1.85) cents**	HK(1.44) cents

* *For identification purposes only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	**2,194**	919
Goodwill	10	**–**	6,379
Intangible assets	11	**3,470**	5,016
		5,664	12,314
Current assets			
Inventories		**34**	145
Held-for-trading investments	12	**14,277**	25,218
Trade and other receivables	13	**160,554**	178,116
Cash and cash equivalents		**12,288**	18,300
		187,153	221,779
Current liabilities			
Trade and other payables	14	**53,214**	66,765
Lease liabilities		**1,354**	–
		54,568	66,765
Net current assets		**132,585**	155,014
Total assets less current liabilities		**138,249**	167,328
Non-current liabilities			
Bond payables		**30,666**	30,666
Deferred tax liability		**572**	827
Lease liabilities		**724**	–
		31,962	31,493
Net assets		**106,287**	135,835
EQUITY			
Share capital	15	**18,627**	18,627
Reserves		**87,660**	117,208
Total equity		**106,287**	135,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

AMCO United Holding Limited (the "Company") was incorporated in Bermuda with limited liability on 19 August 1994 as an exempted company under the Companies Act 1981 of Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 November 1996. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Unit 1104, Crawford House, 70 Queen's Road Central, Central, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) manufacture and sale of medical devices products; (ii) manufacture and sale of plastic moulding products; (iii) provision of construction services in building construction, building maintenance and improvement works, project management, renovation and decoration works; (iv) provision of money lending; and (v) investment in securities.

2. Basis of preparation and changes in accounting policies

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is a collective term for all individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations, and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at their fair value.

(a) Adoption of new and revised HKFRSs – effective 1 January 2019

In the current year, the Group has applied for the first time the following new standard, amendments and interpretation to HKFRSs (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Except as described in Note 2(c), the application of the new and revised HKFRSs in the current year has no material effect on the Group's financial performance and position for the current year or the disclosures set out in the consolidated financial statements.

(b) Application of new and revised HKFRSs that have been issued but are not yet effective

The following new and revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group.

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

1 Effective for annual periods beginning on or after a date to be determined

2 Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

4 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted

The directors of the Company ("Directors") anticipate that the application of these new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

(c) Changes in accounting policies

The Group has initially adopted HKFRS 16 "Leases" from 1 January 2019 and the Group has changed its accounting policies as a result of adopting the standard. The impact of the adoption of the standard and the nature and effect of the change in accounting policies are further described below.

HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 "Leases" and related Interpretations, which sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the modified retrospective approach under which the cumulative effect of initial application is recognised in opening accumulated losses as at 1 January 2019 and prior period comparatives are not restated. Accordingly, the information presented for 2018 has been presented, as previously reported, under HKAS 17 and related Interpretations.

The amount by which each financial statement line item is affected by the adoption of HKFRS 16 on the date of initial application is shown as follows.

	Carrying amount as at 31 December 2018 *HK$'000*	Effect of adoption of HKFRS 16 *(note (ii))* *HK$'000*	Carrying amount as at 1 January 2019 *HK$'000*
Consolidated statement of financial position (extract)			
Right-of-use asset presented in property, plant and equipment	–	646	646
Lease liability	–	(657)	(657)
Accumulated losses (reserves)	298,066	11	298,077

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

(i) Definition of a lease

The Group has elected to apply the practical expedient on transition to HKFRS 16 not to reassess whether a contract is or contains a lease at the date of initial application. Accordingly, the Group has applied HKFRS 16 to contracts previously identified as leases under HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" entered into before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the definition of a lease under HKFRS 16 to contracts entered into on or after 1 January 2019.

(ii) Lessee accounting

As a lessee, the Group previously classified leases as operating or finance leases. Lease payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease, i.e. these leases were off-balance sheet.

From 1 January 2019, leases (except short-term leases and leases of low-value assets) are recognised as a right-of-use asset and lease liability under HKFRS 16, i.e. the leases are on-balance sheet. Each lease payment is allocated between principal repayment of the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are initially measured at the present value of future lease payments which include fixed payments less any lease incentives. The lease payments are discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Right-of-use assets are initially measured at cost comprising the initial measurement of lease liabilities and any initial direct costs, and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The Group presents right-of-use assets in property, plant and equipment.

Lease payments associated with short-term leases and leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

The Group leases several premises for terms ranging from one to three years, and has classified the leases as operating leases under HKAS 17. On 1 January 2019 (the date of initial application of HKFRS 16), the Group recognised lease liability and right-of-use asset in relation to leases which had previously been classified as operating leases under HKAS 17. The lease liability was measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application of approximately 4.3%.

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	2,178
Short-term leases not recognised as a liability	(1,460)
Lease of low-value asset not recognised as a liability	(28)
Discounting using the incremental borrowing rate at the date of initial application	(33)
Lease liability recognised as at 1 January 2019	657

The associated right-of-use asset was measured on a retrospective basis as if the standard had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset of leased premises recognised at the date of initial application was as follows:

	HK$'000
Right-of-use asset recognised as at 1 January 2019	646

As a result, on transition to HKFRS 16, the Group recognised additional right-of-use asset and lease liability and recognised the difference in accumulated losses, resulting in an increase in right-of-use asset presented in property, plant and equipment of approximately HK$646,000, increase in lease liability of approximately HK$657,000 and increase in accumulated losses of approximately HK$11,000 as at 1 January 2019.

The Group used the following practical expedients when applying HKFRS 16 for the first time:

– the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and

– the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use assets of approximately HK$1,852,000 and lease liabilities of approximately HK$2,078,000 as at 31 December 2019. During the year ended 31 December 2019, the Group recognised depreciation of right-of-use assets of approximately HK$854,000 and interest expense on lease liabilities of approximately HK$77,000 from these leases.

3. Segment reporting

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

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

(1) Manufacture and sale of medical devices products ("Medical Devices Business");

(2) Manufacture and sale of plastic moulding products ("Plastic Moulding Business");

(3) Provision of construction services in building construction, building maintenance and improvement works, project management, renovation and decoration works ("Building Contract Works Business");

(4) Provision of money lending ("Money Lending Business"); and

(5) Investment in securities ("Securities Investment").

Inter-segment transactions, if any, are priced with reference to prices charged to external parties for similar products. Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit/loss that is used by the chief operating decision-maker for assessment of segment performance.

The following is an analysis of the Group's revenue and results by reportable segment:

(a) Business segments

For the year ended 31 December 2019

	Medical Devices Business *HK$'000*	Plastic Moulding Business *HK$'000*	Building Contract Works Business *HK$'000*	Money Lending Business *HK$'000*	Securities Investment *HK$'000*	Total *HK$'000*
Revenue from external customers	17,612	1,374	37,294	11,427	–	67,707
Reportable segment revenue	17,612	1,374	37,294	11,427	–	67,707
Timing of revenue recognition						
At a point in time	17,612	1,374	–	–	–	18,986
Over time	–	–	37,294	11,427	–	48,721
	17,612	1,374	37,294	11,427	–	67,707
Reportable segment (loss)/profit	(905)	(45)	(11,298)	10,540	(10,942)	(12,650)
Reportable segment assets	3,931	143	22,003	132,760	21,056	179,893
Reportable segment liabilities	(4,649)	(1,283)	(9,149)	(28,798)	–	(43,879)
Amounts included in the measure of segment profit/loss or segment assets						
Interest income	–	1	–	3	–	4
Depreciation	(486)	(261)	(583)	–	–	(1,330)
Impairment loss on property, plant and equipment	–	–	(338)	–	–	(338)
Impairment loss on goodwill	–	–	(6,379)	–	–	(6,379)
Impairment loss on intangible asset	–	–	(1,546)	–	–	(1,546)
Net impairment loss on trade and other receivables	–	–	(351)	(625)	–	(976)
Additions to non-current assets	1,267	–	1,332	–	–	2,599

For the year ended 31 December 2018

	Medical Devices Business *HK$'000*	Plastic Moulding Business *HK$'000*	Building Contract Works Business *HK$'000*	Money Lending Business *HK$'000*	Securities Investment *HK$'000*	Total *HK$'000*
Revenue from external customers	47,284	1,660	54,592	8,743	–	112,279
Reportable segment revenue	47,284	1,660	54,592	8,743	–	112,279
Timing of revenue recognition						
At a point in time	47,284	1,660	–	–	–	48,944
Over time	–	–	54,592	8,743	–	63,335
	47,284	1,660	54,592	8,743	–	112,279
Reportable segment profit/(loss)	5,329	(361)	(4,984)	7,414	(10,007)	(2,609)
Reportable segment assets	3,389	614	40,029	136,487	31,997	212,516
Reportable segment liabilities	(10,081)	(790)	(17,103)	(28,799)	–	(56,773)
Amounts included in the measure of segment profit/loss or segment assets						
Interest income	–	2	–	3	–	5
Depreciation and amortisation	–	(397)	(244)	–	–	(641)
Impairment loss on goodwill	–	–	(3,817)	–	–	(3,817)
Net impairment loss on trade and other receivables	–	–	(103)	(1,038)	–	(1,141)

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**67,707**	112,279
Consolidated revenue	**67,707**	112,279
Loss before income tax		
Reportable segment loss	**(12,650)**	(2,609)
Finance costs	**(3,077)**	(666)
Unallocated corporate income	**157**	7
Unallocated corporate expenses	**(19,231)**	(23,505)
Consolidated loss before income tax	**(34,801)**	(26,773)
Assets		
Segment assets	**179,893**	212,516
Cash and cash equivalents	**12,288**	18,300
Unallocated corporate assets	**636**	3,277
Consolidated total assets	**192,817**	234,093
Liabilities		
Segment liabilities	**43,879**	56,773
Bond payables	**30,666**	30,666
Unallocated corporate liabilities	**11,985**	10,819
Consolidated total liabilities	**86,530**	98,258

Reportable segment profit/loss represents the profit/loss attributable to each segment without allocation of corporate administrative expenses, corporate directors' emoluments, corporate income, finance costs and income tax credit. This is the measure reported to the chief operating decision-maker for the purposes of resource allocation and performance assessment.

All assets are allocated to reportable segments other than cash and cash equivalents and corporate assets.

All liabilities are allocated to reportable segments other than bond payables and corporate liabilities.

(c) Geographic information

The geographical location of customers is based on the location at which the goods delivered or services provided. The geographical location of the non-current assets is based on the physical and operating location of the assets.

The Group's operations and workforce are mainly located in Hong Kong.

The following table provides an analysis of the Group's revenue from external customers.

	2019	2018
	HK$'000	*HK$'000*
Asia Pacific		
– Hong Kong	**48,721**	63,335
– other regions	**42**	11
Europe	**289**	548
North and South America	**18,655**	48,385
	67,707	112,279

The following table provides an analysis of the Group's non-current assets.

	2019	2018
	HK$'000	*HK$'000*
Asia Pacific		
– Hong Kong	**5,664**	12,314

(d) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are set out below:

	2019		2018	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Customer A – Medical Devices Business	**17,612**	**26%**	47,284	42%
Customer B – Building Contract Works Business	**15,475**	**23%**	13,256	12%
Customer C – Building Contract Works Business	**12,492**	**18%**	27,392	24%

4. Revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time to customers. The Group also derives its revenue from loan interest income.

The following is the disaggregation of revenue by major products or service lines. This is consistent with the revenue information that is disclosed for each reportable segment under HKFRS 8 "Operating Segments" in Note 3(a).

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of medical devices products	**17,612**	47,284
Sales of plastic moulding products	**1,374**	1,660
Revenue from construction contracts	**37,294**	54,592
	56,280	103,536
Revenue from other sources		
Loan interest income	**11,427**	8,743
	67,707	112,279

The disaggregation of revenue by the timing of revenue recognition and by geographic markets is disclosed in Notes 3(a) and 3(c) respectively.

As at 31 December 2019, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing construction contracts is approximately HK$21,046,000 (2018: HK$46,280,000). The Group will recognise this amount as revenue in the future as the work is completed, which is expected to occur over the next 2 to 19 months (2018: next 5 to 26 months).

5. Other income and other gains or losses

Analysis of the Group's other income and other gains or losses recognised during the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Exchange gain, net	**59**	177
Loss on disposal of property, plant and equipment	**(133)**	(528)
Loss on change in fair value of held-for-trading investments	**(10,941)**	(10,005)
Interest income	**5**	5
Others	**556**	643
	(10,454)	(9,708)

6. Loss before income tax

The Group's loss before income tax is arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Employee costs (including Directors' emoluments)		
– Salaries, wages and other benefits	**13,573**	13,814
– Contributions to defined contribution retirement plan	**288**	302
– Share-based payment expenses	**2,505**	–
	16,366	14,116
Depreciation of property, plant and equipment	**1,349**	639
Amortisation of intangible asset	**–**	40
Auditor's remuneration	**500**	520
Expenses relating to short-term leases	**650**	–
Expenses relating to lease of low-value asset	**10**	–
Operating lease charges in respect of properties	**–**	863
Impairment loss on property, plant and equipment *(Note 9)*	**338**	–
Impairment loss on goodwill *(Note 10)*	**6,379**	3,817
Impairment loss on intangible asset *(Note 11)*	**1,546**	–
Net impairment loss on trade and other receivables *(Note 13)*	**976**	1,141
Share-based payment expenses (other than employee costs)	**2,504**	–
Cost of inventories recognised as expenses	**14,501**	38,316
Cost of services	**34,312**	50,027

7. Income tax credit

	2019	2018
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Over-provision in prior year	**–**	14
Deferred tax credit – current year	**255**	7
Income tax credit	**255**	21

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No Hong Kong Profits Tax was provided for both years as members of the Group did not derive any estimated assessable profits or had sufficient tax losses brought forward to offset against the estimated assessable profits for the years ended 31 December 2019 and 2018.

8. Loss per share

(a) Basic loss per share

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the year for the purpose of computation of basic loss per share	**(34,546)**	(26,752)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue	**1,862,679**	1,862,679

(b) Diluted loss per share

Diluted loss per share was the same as basic loss per share because there was no potential dilutive ordinary share in issue for the years ended 31 December 2019 and 2018.

The Company's outstanding share options as at 31 December 2019 and 2018 were not taken into account as they had an antidilutive effect for the years ended 31 December 2019 and 2018 which would result in a reduction in the loss per share.

9. Property, plant and equipment

	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Right-of-use assets HK$'000	Total HK$'000
Cost					
At 1 January 2018	7,731	2,793	2,839	–	13,363
Additions at cost	–	2	–	–	2
Disposals	–	(10)	–	–	(10)
Written off	–	(1,005)	–	–	(1,005)
At 31 December 2018	7,731	1,780	2,839	–	12,350
Recognition upon initial application of HKFRS 16 *(Note 2(c))*	–	–	–	664	664
Adjusted balance at 1 January 2019	7,731	1,780	2,839	664	13,014
Additions at cost	–	–	350	2,249	2,599
Disposals	–	–	(2,060)	–	(2,060)
Written off	–	(87)	–	–	(87)
At 31 December 2019	**7,731**	**1,693**	**1,129**	**2,913**	**13,466**
Accumulated depreciation and impairment					
At 1 January 2018	7,731	1,817	1,728	–	11,276
Depreciation	–	158	481	–	639
Disposals	–	(10)	–	–	(10)
Written off	–	(474)	–	–	(474)
At 31 December 2018	7,731	1,491	2,209	–	11,431
Recognition upon initial application of HKFRS 16 *(Note 2(c))*	–	–	–	18	18
Adjusted balance at 1 January 2019	7,731	1,491	2,209	18	11,449
Depreciation	–	131	364	854	1,349
Impairment loss	–	46	103	189	338
Disposals	–	–	(1,777)	–	(1,777)
Written off	–	(87)	–	–	(87)
At 31 December 2019	**7,731**	**1,581**	**899**	**1,061**	**11,272**
Net book value					
At 31 December 2019	**–**	**112**	**230**	**1,852**	**2,194**
At 31 December 2018	–	289	630	–	919

The right-of-use assets represent the Group's rights to use underlying leased premises under lease arrangements over the lease terms.

For the year ended 31 December 2019, an impairment loss of approximately HK$338,000 (2018: HK$nil) (Note 6) on property, plant and equipment that relates to the segment of Building Contract Works Business, which constitutes a cash-generating unit ("CGU"), has been recognised as a result of an impairment assessment made by the management as detailed in Note 10(i).

10. Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU that is expected to benefit from that business combination. The carrying amount of goodwill as at 31 December 2019 and 2018 relates to business units acquired in prior years, as further explained below.

	2019	2018
	HK$'000	*HK$'000*
Cost		
At 1 January and 31 December *(Notes (i) & (ii))*	**77,558**	77,558
Accumulated impairment losses		
At 1 January *(Notes (i) & (ii))*	**(71,179)**	(67,362)
Impairment loss recognised in the year *(Note (i))*	**(6,379)**	(3,817)
At 31 December	**(77,558)**	(71,179)
Net book value at 31 December	**–**	6,379

Notes:

(i) Building Contract Works Business

At 31 December 2019 and 2018, goodwill of approximately HK$10,196,000 relates to the Building Contract Works Business unit, a CGU, acquired as part of the acquisition of ACE Engineering Limited ("ACE Engineering") in 2016. At 31 December 2019, impairment of goodwill of approximately HK$10,196,000 (2018: HK$3,817,000) was made.

The recoverable amount of the CGU, has been determined using cash flow projections to calculate value in use based on estimates and financial budgets approved by the Directors. These projections cover a five-year period, and have been discounted using a pre-tax discount rate of 11.60% (2018: 13.34%). The cash flows beyond that five-year period have been extrapolated using a growth rate of 3% (2018: 3%).

All of the assumptions and estimations involved in the preparation of the cash flow projection including budgeted gross margin, discount rate and growth rate are determined by the management of the Group based on past performance, experience and their expectation for future market development.

Based on the assessment, the recoverable amount of the CGU is determined to be approximately HK$16,994,000 (2018: HK$28,326,000). The carrying amount of the CGU has been reduced to the recoverable amount and accordingly, an impairment loss of approximately HK$6,379,000 (2018: HK$3,817,000) (Note 6), HK$338,000 (2018: HK$nil) (Note 9) and HK$1,546,000 (2018: HK$nil) (Note 11) has been recognised on goodwill, property, plant and equipment and intangible asset respectively in the current year. This impairment loss is primarily due to the performance of this business segment not matching up to management's expectations in 2019 and the business unit's expected performance in 2020 and beyond based on the latest information available. Much of the problem arose due to decrease in awards of projects in both public and private sectors, under the more stringent and competitive market environment of the building construction and maintenance industry during the year. The continuous curtailment of gross profit margin as a result of decrease in awards of projects in the private sector which yielded higher margins in price as well as continuous rise in subcontracting costs resulting from increased labour costs also contributed to the underperformed result of the business segment for the year. The budget/forecast has been revised downward accordingly.

The impairment loss has been included in profit or loss in the administrative expenses.

(ii) Medical Devices Business

At 31 December 2019 and 2018, goodwill of approximately HK$67,362,000 relates to the Medical Devices Business unit acquired as part of the acquisition of the Titron Group in 2011, as defined and detailed in the Company's circular dated 12 August 2011. Owing to the significant and continuous losses incurred by this business unit in prior years, all of the goodwill of approximately HK$67,362,000 had been impaired as at 31 December 2014.

11. Intangible assets

	2019			2018		
	Contracts backlog *HK$'000*	**Contractor registrations** *HK$'000*	**Total** *HK$'000*	Contracts backlog *HK$'000*	Contractor registrations *HK$'000*	Total *HK$'000*
Cost						
At 1 January	**2,786**	**5,016**	**7,802**	2,786	5,016	7,802
Written off	**(2,786)**	**–**	**(2,786)**	–	–	–
At 31 December	**–**	**5,016**	**5,016**	2,786	5,016	7,802
Accumulated amortisation and impairment						
At 1 January	**2,786**	**–**	**2,786**	2,746	–	2,746
Amortisation	**–**	**–**	**–**	40	–	40
Impairment loss	**–**	**1,546**	**1,546**	–	–	–
Written off	**(2,786)**	**–**	**(2,786)**	–	–	–
At 31 December	**–**	**1,546**	**1,546**	2,786	–	2,786
Net book value at 31 December	**–**	**3,470**	**3,470**	–	5,016	5,016

Intangible assets with net book value of approximately HK$3,470,000 (2018: HK$5,016,000) as at 31 December 2019 represent contractor registrations arising from the acquisition of ACE Engineering in 2016.

The contractor registrations are recognised as intangible assets with indefinite useful life and measured initially at cost and subsequently measured at cost less accumulated impairment losses.

The contractor registrations relate to the segment of Building Contract Works Business which constitutes a CGU, and have been assessed for impairment as detailed in Note 10(i). Based on the impairment assessment performed by management, an impairment loss of approximately HK$1,546,000 (2018: HK$nil) (Note 6) has been recognised on the intangible asset for the year ended 31 December 2019.

12. Held-for-trading investments

At 31 December 2019 and 2018, these investments represented investments in equity securities listed in Hong Kong. The fair values of the investments are determined with reference to the quoted market bid prices on the Stock Exchange.

13. Trade and other receivables

	2019	2018
	HK$'000	*HK$'000*
Trade receivables *(Note (i))*	**8,234**	15,440
Loss allowance *(Notes (i) & (iii))*	**(699)**	(489)
	7,535	14,951
Retention receivables *(Note (ii))*	**5,239**	6,454
Loss allowance *(Note (iii))*	**(27)**	(29)
	5,212	6,425
Loan receivables *(Note (iv))*	**136,582**	139,684
Loss allowance *(Note (iv))*	**(3,878)**	(3,253)
	132,704	136,431
Other deposits, prepayments and other receivables *(Note (v))*	**15,103**	20,309
Total trade and other receivables	**160,554**	178,116

Notes:

(i) The Group allows an average credit period of 30 to 90 days (2018: 30 to 90 days) to its trade customers. The ageing analysis of trade receivables (net of accumulated impairment losses) by invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Current	**870**	5,815
1 to 90 days	**2,218**	6,520
91 to 180 days	**298**	187
Over 180 days	**4,149**	2,429
Trade receivables	**7,535**	14,951

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current liability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customers operate. The Group does not hold any collateral over these balances.

(ii) Retention receivables are derived from the Building Contract Works Business and are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 3 months to 1 year.

Retention receivables have decreased due to completion of retention period of several construction contracts during the current year.

(iii) As at 31 December 2019 and 2018, the Group measures loss allowance for trade and retention receivables at an amount equal to lifetime expected credit losses ("ECL"), which is calculated using a provision matrix.

The Group categorises its trade and retention receivables based on shared credit risk characteristics and the ageing. Future cash flows for each group of receivables are estimated on the basis of historical default experience over the past two years, adjusted for factors that are specific to the customers and the effects of current conditions as well as forward looking information. For receivables relating to accounts which are long overdue with significant amounts or known insolvencies, they are assessed individually for impairment provision.

The following table provides information about the Group's exposure to credit risk and ECL for trade and retention receivables as at 31 December 2019 and 2018.

		2019		
	Expected loss rate	**Gross carrying amount – Trade receivables**	**Gross carrying amount – Retention receivables**	**Loss allowance**
		HK$'000	***HK$'000***	***HK$'000***
Not past due	**0.5%**	**3,101**	**5,239**	**43**
Less than 3 months past due	**0.8%**	**119**	**–**	**1**
3 to 6 months past due	**7.5%**	**3,081**	**–**	**230**
Over 6 months past due	**23.4%**	**1,933**	**–**	**452**
		5,133	**–**	**683**
Total		**8,234**	**5,239**	**726**

		2018		
	Expected loss rate	Gross carrying amount – Trade receivables	Gross carrying amount – Retention receivables	Loss allowance
		HK$'000	*HK$'000*	*HK$'000*
Not past due	0.4%	12,299	6,454	83
Less than 3 months past due	0.7%	279	–	2
3 to 6 months past due	4.6%	283	–	13
Over 6 months past due	16.3%	2,579	–	420
		3,141	–	435
Total		15,440	6,454	518

The movement in loss allowance recognised for trade and retention receivables during the year is as follows:

	Trade receivables *HK$'000*	**Retention receivables** *HK$'000*	**Total** *HK$'000*
Balance as at 1 January 2018	434	35	469
Impairment loss recognised	109	–	109
Amount written off as uncollectible	(54)	–	(54)
Impairment loss reversed	–	(6)	(6)
Balance as at 31 December 2018 and 1 January 2019	489	29	518
Impairment loss recognised	353	–	353
Amount written off as uncollectible	(143)	–	(143)
Impairment loss reversed	–	(2)	(2)
Balance as at 31 December 2019	699	27	726

The significant changes in the gross carrying amount of trade receivables contributed to the increase in the loss allowance during the year include (i) settlement in full by customers that were over 3 months past due which resulted in a decrease in loss allowance of approximately HK$145,000 (2018: HK$188,000); and (ii) origination of new trade receivables net of those settled as well as increase in days past due over 3 months which resulted in an increase in loss allowance of approximately HK$370,000 (2018: HK$268,000).

(iv) Loan receivables represent outstanding principals and interest receivables arising from the Money Lending Business of the Group. All of the loan receivables are entered with contractual maturity within 12 months. The Group seeks to maintain strict control over its loan receivables in order to minimise credit risk by reviewing the borrowers' financial positions.

The loan receivables are interest-bearing at rates mutually agreed between the contracting parties, ranging from 6% to 12% per annum (2018: 6% to 12% per annum). All of the loan receivables were unsecured as at 31 December 2019 and 2018.

As at 31 December 2019 and 2018, none of the loan receivables had become past due. Loss allowance for expected credit loss has been made on an individual basis under 12-month ECL assessment. The movement in loss allowance recognised for loan receivables during the year is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Balance as at 1 January	**3,253**	2,215
Impairment loss recognised	**625**	1,038
Balance as at 31 December	**3,878**	3,253

The significant change in the gross carrying amount of loan receivables contributed to the increase in the loss allowance during the year includes origination of new loan receivables net of those settled which resulted in an increase in loss allowance of approximately HK$670,000 (2018: HK$755,000).

(v) The Group's other deposits, prepayments and other receivables represented the following amounts as at the end of the reporting period.

	2019	2018
	HK$'000	*HK$'000*
Prepayments	**1,067**	3,603
Deposits	**7,367**	7,435
Other receivables	**6,669**	9,271
	15,103	20,309

As at 31 December 2019, included in the Group's deposits is as an amount of approximately HK$6,779,000 (2018: HK$6,779,000) which represented deposit placed with securities broker for the trading of investment securities.

As at 31 December 2019 and 2018, the Group's other receivables mainly represented payment of expenses on behalf of subcontractors.

14. Trade and other payables

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**6,892**	19,001
Retention payables	**2,557**	3,418
Contract liabilities	**50**	715
Accruals and other payables	**43,715**	43,631
	53,214	66,765

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**4,607**	16,923
Over 3 months but within 6 months	**200**	239
Over 6 months	**2,085**	1,839
	6,892	19,001

The average credit period on trade purchases is 30 to 90 days (2018: 30 to 90 days).

As at 31 December 2019, contract liabilities of approximately HK$50,000 (2018: HK$715,000) represented payments received in advance that were related to sales of goods not yet delivered to customers arising from the Medical Devices Business and Plastic Moulding Business. The Group recognises this amount as revenue when the goods are delivered to the customers. Revenue recognised in the current year that was included in the contract liability balance at the beginning of the year was approximately HK$715,000.

As at 31 December 2019 and 2018, included in the Group's accruals and other payables are an amount due to Titron Group Holdings Limited ("TGHL") of approximately HK$1,700,000 and the cash consideration of HK$7,500,000 payable to the Vendors of Titron Group (as defined and detailed in the Company's circular dated 12 August 2011) arising from the acquisition of Titron Group in 2011. TGHL was one of the Vendors of Titron Group. Titron Group is principally engaged in the Medical Devices Business and the Plastic Moulding Business. One of the shareholders of TGHL, Mr. Yip Wai Lun, Alvin, was a former shareholder and the former Chairman and Managing Director of the Company. The amounts were unsecured, interest-free and repayable on demand as at 31 December 2019 and 2018.

As at 31 December 2019 and 2018, included in the Group's accruals and other payables are surety bonds payable in the amount of HK$28,798,000 which represented several bonded sums received by the Group from a contractor payable to employers of the contractor as security for good performance on the part of the contractor for certain building contract works of the employers. The amounts were unsecured, interest-free and repayable on demand as at 31 December 2019 and 2018.

15. Share capital

	Number of shares	**Amount**
		HK$'000
Authorised:		
Balance as at 31 December 2018 and 31 December 2019	40,000,000,000	400,000
Issued and fully paid:		
Balance as at 31 December 2018 and 31 December 2019	1,862,679,481	18,627

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS, BUSINESS REVIEW AND PROSPECTS

Results

The total revenue of the Group decreased HK$44.6 million or 39.7%, from HK$112.3 million last year to HK$67.7 million for the year ended 31 December 2019. Such a decrease was mainly attributable to the decrease in revenue from the manufacture and sale of medical devices business ("Medical Devices Business") and provision of construction services in building construction, building maintenance and improvement works, project management, renovation and decoration works ("Building Contract Works Business").

Gross profit of the Group was HK$18.8 million, representing a decrease of HK$4.8 million or 20.3% as compared to HK$23.6 million in 2018. Gross profit margin increased by 6.8 percentage points to 27.8% (2018: 21.0%), primarily as a result of gross profit margin contributed from the Medical Devices Business and provision of money lending ("Money Lending Business").

Other losses, net of other income and other gains, during the year under review recorded HK$10.5 million, an increase of HK$0.8 million or 8.2% as compared to HK$9.7 million in the corresponding year of 2018, which was mainly attributable to the unrealised fair value loss of held-for-trading investments arising from the business of investment in securities ("Securities Investment").

The distribution costs declined by HK$0.1 million to HK$0.1 million during the year under review (2018: HK$0.2 million), representing a reduction of 50.0% over the corresponding year of 2018, alongside with the decrease in revenue of Medical Devices Business and manufacture and sale of plastic moulding products ("Plastic Moulding Business"). The administrative expenses amounted to HK$39.9 million, which remained relatively stable as compared to that of HK$39.7 million for the corresponding year of 2018, primarily as a result of the combined effect of the impairment losses recognised on goodwill and intangible asset and the share-based payment expenses incurred in current year, and decrease in staff costs and other general administrative costs under stringent cost control during the year.

Finance costs amounted to HK$3.1 million (2018: HK$0.7 million) for the year under review, which represented interest on bond payables and lease liabilities.

As a result, the overall loss attributable to owners of the Company was HK$34.5 million, which increased by HK$7.8 million or 29.2% as compared to HK$26.7 million loss for the corresponding year of 2018.

Business Review

Medical Devices Business

For the year ended 31 December 2019, the Medical Devices Business recorded revenue of HK$17.6 million, which decreased by 62.8% or HK$29.7 million as compared to that of HK$47.3 million in the previous year. This amount represented 26.0% of the Group's total revenue for the year under review. In 2019, the economy of the United States of America ("America") has gone increasingly uncertain coupled with uncertain global trade environment under the continued trade war between China and America, the Medical Devices Business has suffered from a significant decline in sales order from our key customer in America, causing revenue of the Medical Devices Business to decrease during the current year.

Segment loss of the Medical Devices Business amounted to HK$0.9 million for the year ended 31 December 2019, as compared to segment profit of HK$5.3 million in the corresponding year of 2018, which was caused by the significant decline in sales order despite the higher margin in price yielded by the medical devices product in the current year. To cope with the challenge of fluctuating sales order, the Group is persisting to deploy business strategies of streamlining and outsourcing of business processes, implementing strict cost control and ensuring effective utilisation of resources with an aim to maintain its long-term sustainable competitive advantages in the business segment. In the meantime, the Group is actively exploring and identifying potential business opportunities to expand its customer base of the business segment in order to broaden the income streams of the Medical Devices Business.

Plastic Moulding Business

The revenue from the Plastic Moulding Business decreased by 17.6% or HK$0.3 million to HK$1.4 million, as compared to HK$1.7 million in the previous year, which accounted for 2.1% of the Group's total revenue for the year under review. A majority of plastic moulding products have suffered from declined sales orders as relevant customers' end products have reached the end of their product life cycle, causing continuous decline in revenue of the Plastic Moulding Business during the year under review. In view of this, the Group has ceased the production of the majority of those products which contributed a relatively low gross profit margin, and has only been accepting small number of production orders of mould fabrication and some products, which have a relatively higher gross profit margin.

With persistent efforts in the improvement in profit margins of sales orders and cost control in the reduction of distribution costs and administrative expenses, segment loss of the Plastic Moulding Business decreased by 86.1% or HK$0.31 million to HK$0.05 million for the year under review, as compared to that of HK$0.36 million for the corresponding year of 2018. Owing to the continuous losses suffered in recent years, the Group has shifted assets and resources of this segment to other more profitable business units, but will continue the operation of the Plastic Moulding Business as long as it still contributes sufficiently to share appropriate portion of the administration and operation cost of the Group.

Building Contract Works Business

For the year ended 31 December 2019, revenue from the Building Contract Works Business generated by ACE Engineering Limited ("ACE Engineering"), a wholly-owned subsidiary of the Company, amounted to HK$37.3 million, representing a decrease of HK$17.3 million or 31.7% as compared to HK$54.6 million for the corresponding year of 2018, which contributed 55.1% of the Group's total revenue for the year under review. The decrease in revenue was primarily due to (i) substantial completion of several significant public and private contracts during the previous year; and (ii) decrease in awards of projects in both public and private sectors, under the more stringent and competitive market environment of the building construction and maintenance industry caused by slower growth of the industry as well as negative effect of social demonstration during the year. This business recorded a gross profit of HK$3.0 million (2018: HK$4.6 million) and gross profit margin of 8.0% (2018: 8.4%). The decrease in gross profit margin was primarily attributable to (i) decrease in awards of projects in the private sector which yielded higher margins in price; and (ii) rise in subcontracting costs resulting from increased labour costs. Segment loss of this business increased to HK$11.3 million for the year ended 31 December 2019, as compared to that of HK$5.0 million for the corresponding year of 2018, primarily as a result of (i) decrease in gross profit margin; and (ii) an impairment loss on goodwill and intangible asset of HK$7.9 million (2018: HK$3.8 million) recognised in the current year mainly due to the performance of this business had not matched the anticipation of the management owing to the decrease in awards of projects and continuous curtailment of profit margin resulting in increased operating loss for the year.

As at 31 December 2019, ACE Engineering had undertaken (i) one building maintenance and/or renovation project from private sector with the contract sum of approximately HK$8.1 million; and (ii) ten building maintenance and/or renovation projects from the Hong Kong Housing Society and the Hong Kong Housing Authority with the contract sums ranging from approximately HK$0.5 million to HK$15.0 million and the aggregate contract sum of approximately HK$48.5 million. Hence, the aggregate contract sums from both private and public sectors amounted to approximately HK$56.6 million and the aggregate estimated paid and payable subcontracting fee of those eleven existing construction projects undertaken by ACE Engineering was approximately HK$52.1 million. As at 31 December 2019, approximately HK$21.0 million of the aggregate contract sums was still outstanding and those eleven construction projects were pending to be completed within next two years.

Despite increase in segment loss of the business during the year under review and the stringent market environment of the building construction and maintenance industry, the Group will continue to deploy efforts in tendering for projects in both public and private sectors, particularly projects which yield higher margins in price, and make concerted efforts in controlling and managing contract and operating costs, in order to facilitate improvement in results of this business.

Money Lending Business

For the year ended 31 December 2019, the Group recorded loan interest income of HK$11.4 million from its Money Lending Business, representing an increase of HK$2.7 million or 31.0% as compared to HK$8.7 million for the previous year, which accounted for 16.8% of the Group's total revenue for the year under review. Segment profit of the Money Lending Business amounted to HK$10.5 million (2018: HK$7.4 million). The outstanding principal and interest amount of loan receivables as at 31 December 2019 was HK$136.6 million (31 December 2018: HK$139.7 million). Loss allowance for expected credit loss of HK$3.9 million has been made for loan receivables as at 31 December 2019 under the expected loss model (31 December 2018: HK$3.3 million). The Group will continue to develop this business by employing prudent credit control procedures and strategies to hold a balance between the business growth and the risk management.

Securities Investment

During the year under review, the Group recorded no realised gain or loss (2018: nil) and unrealised loss of HK$10.9 million (2018: HK$10.0 million) arising on change in fair value of held-for-trading investments of listed equity securities in Hong Kong for the year ended 31 December 2019. No dividend income was received from the held-for-trading investments during the year under review (2018: nil). Segment loss of the Securities Investment amounted to HK$10.9 million (2018: HK$10.0 million).

As at 31 December 2019, the Group held 8 listed equity securities in Hong Kong with the fair value of HK$14.3 million. In light of the recent volatile financial market in Hong Kong, the Group intends to diversify its investment portfolio in order to reduce the relevant concentration and investment risks and will closely monitor the performance of this business. The Group will keep adopting a prudent investment attitude and develop its investment strategy with the aim to improve the capital usage efficiency and generate additional investment returns on the idle funds of the Group.

Details of the Group's top two held-for-trading investments, in terms of fair value as at 31 December 2019, are as follows:

Company Name/Stock Code	**% of shareholding as at 31 December 2019**	**Fair value loss for the year ended 31 December 2019**	**Fair value as at 31 December 2019**	**% of total assets of the Group as at 31 December 2019**
		HK$'000	*HK$'000*	
Securities listed in Hong Kong				
China e-Wallet Payment Group Limited ("China e-Wallet") (802) *(Note (a))*	1.859%	(4,080)	5,763	3.0%
WLS Holdings Limited ("WLS") (8021) *(Note (b))*	1.359%	(5,076)	4,296	2.2%
Others *(Note (c))*		(1,785)	4,218	2.2%
		(10,941)	14,277	7.4%

Notes:

(a) China e-Wallet is principally engaged in the provision of internet and mobile application and distribution of computer-related and mobile-related electronic products and accessories. As disclosed in the interim report of China e-Wallet for the six months ended 30 June 2019, it recorded unaudited net loss attributable to its owners of HK$25.3 million for the six months ended 30 June 2019. With regards to the future prospects of China e-Wallet, the Directors noted that China e-Wallet would expect that the worst case scenario caused by the trade war have been taken into account by most of its customers. However, the newly restructuring of the global supply chain, especially the new supply chain eco-system in China, will take time to see its contributions towards the market. Hence, China e-Wallet expects the demand for its services to remain inertial.

(b) WLS is principally engaged in the provision of scaffolding and fitting out services and other services for construction and buildings work, provision of gondolas, parapet railings and access equipment installation and maintenance services, money lending business, securities investment business and assets management business. As disclosed in the third quarterly report of WLS for the nine months ended 31 January 2020, it recorded unaudited net loss from continuing operations attributable to its owners of HK$14.6 million for the nine months ended 31 January 2020. With regards to the future prospects of WLS, the Directors noted that WLS remains cautiously optimistic about overall prospects for its scaffolding sector. WLS will continue to promote the use of the "Pik Lik" brand scaffolding system to help improve overall efficiency while boosting the revenue and market share of its scaffolding services division. WLS will also continue to focus on those business segments that generate higher profit margins and show ample growth potential such as money lending operations. In the meantime, WLS will strictly adhere to its cost control policy, and swiftly adjust business strategies to its scaffolding business in response to ever-changing market dynamics in order to generate better financial returns for its shareholders.

(c) None of these investments represented more than 5% of the total assets of the Group as at 31 December 2019.

Looking ahead, the Directors believe that the future performance of the above investments held by the Group will be volatile and substantially affected by overall economic environment, equity market conditions, investor sentiment and the business performance and development of the investee companies. Accordingly, the Group will continue to maintain a diversified portfolio of investment of various industries to minimise the possible financial risks. Also, the Directors will cautiously assess the performance progress of the investment portfolio from time to time.

Prospects

Facing elevated challenges as we step into the year 2020 with the outbreak of COVID-19 and slow down of the economy as well as the highly volatile financial market in Hong Kong and globally, the Group will persist to build on its diversified business portfolio and focus its steps to formulate, evaluate and modify business strategies of our existing businesses in order to facilitate and motivate their business development and stabilise any downturn impact. To cope with the business development of the business segments, the Group will strive to deploy effective and sufficient capital and resources allocation in respect of the different business segments, and actively reallocate its assets, funding and labour force in response to the changing market and industry conditions and business results. The Group will conduct constant and dynamic performance appraisals and assessment to evaluate the ongoing business development. The Group will also concentrate on maintaining liquidity by effectively managing working capital and controlling costs, and leveraging operation efficiency by adhering to its lean organisation structure, in light of any difficulties which may be encountered under the uncertainties in the economy and financial market.

Alongside with the continuing evolution and modification of business strategies to develop our existing businesses, the Group will continue to seek optimisation of its business portfolio by adjusting it to adapt to the changing business climate, trend and environment, and at the same time proactively exploring and exploiting every potentially profitable business and investment opportunity as well as new growth potentials, with the ultimate goal of developing its business to generate and maximise shareholders' value and return and maintain sustainable growth and prosperity.

FINANCIAL REVIEW

Capital structure

As at 31 December 2019, the Group's consolidated net assets was HK$106.3 million, representing a decrease of HK$29.5 million as compared to that of HK$135.8 million as at 31 December 2018.

As at 31 December 2019, the Company has 1,862,679,481 ordinary shares of HK$0.01 each in issue.

Debt structure

As at 31 December 2019 and 2018, the Group's total borrowings from financial institutions were zero. The Group's total cash and bank balances amounted to HK$12.3 million as at 31 December 2019, which decreased HK$6.0 million as compared to that of HK$18.3 million as at 31 December 2018.

As at 31 December 2019, the Company had bond payables of HK$30.7 million which represented unlisted bonds issued to an independent third party with an aggregate principal amount of HK$30 million in October 2018. The bonds are unsecured and issued at the fixed interest rate of 10% per annum and will mature on the date falling on the 36 months after the date of issue of the bonds (i.e. 12 October 2021).

The Group's gearing ratio was 19.2% as at 31 December 2019 (31 December 2018: 9.1%). The ratio was determined by net debt, which was defined as total interest-bearing liabilities comprising bond payables and lease liabilities less cash and cash equivalents, over shareholders' equity.

Working capital and liquidity

As at 31 December 2019, both of the Group's current ratio and quick ratio were 3.4 (31 December 2018: 3.3). Inventory turnover on sales was 0 day (31 December 2018: 0 day). Receivable turnover was 61 days (31 December 2018: 44 days).

Contingent liabilities and charges

As at 31 December 2019 and 2018, the Group had not pledged any assets to secure bank facilities and other borrowings. The Group had no material contingent liabilities as at 31 December 2019 and 2018.

Foreign currency exposure

The Group's monetary assets, liabilities and transactions are mainly denominated in United States dollars, Renminbi and Hong Kong dollars. Since Hong Kong dollars are pegged to United States dollars and the exchange rate of Renminbi to Hong Kong dollars was relatively stable during the year, the Group's exposure to the potential foreign currency risk was relatively limited.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group's employees number was 44 (31 December 2018: 42). The Group's employees are remunerated largely based on their performance and experience, alongside with the current industry practices. Remuneration packages of employees include salaries, insurance, mandatory provident fund and share option scheme. Other employee benefits include medical cover, housing allowance and discretionary bonuses.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by the Company on 30 June 2015.

On 26 April 2019, the Company had granted share options to the eligible participants to subscribe for a total of 186,200,000 ordinary shares of HK$0.01 each in the capital of the Company at the exercise price of HK$0.096 per share for a validity period from 26 April 2019 to 25 April 2024 pursuant to the Share Option Scheme.

Details of the above grant of share options are set out in the Company's announcement dated 26 April 2019.

No share options were exercised during the year ended 31 December 2019. During the year ended 31 December 2019, a total of 186,200,000 share options were lapsed.

As at 31 December 2019, the total number of shares available for issue under share options granted under the Share Option Scheme was 372,400,000.

FINAL DIVIDEND

No payment of dividends has been proposed by the Board in respect of the year ended 31 December 2019 (2018: Nil).

EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the end of the reporting period of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions of the Corporate Governance Code ("CG Code") throughout the year ended 31 December 2019 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for certain deviations disclosed herein.

Code provision A.1.3 of the CG Code requires notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.

During the year, certain Board meetings were convened with less than 14 days' notice to enable the Board members to react timely and make expeditious decisions in respect of urgent corporate transaction and general business update which was significant in nature. As a result, the Board meeting was held with a shorter notice period than required with the consent of the Directors. The Board will do its best endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Hengxin was the Chairman and the Managing Director of the Company (the Company regards the role of its managing director to be the same as that of chief executive under the CG Code) during the year ended 31 December 2019. During the year under review, the Group has been streamlining its operations, including business development, operation efficiency and financial management. The Board considers that it would be in the best interest of the shareholders of the Company ("Shareholders") that the roles of the Chairman and the Managing Director of the Company be combined to enable a strong and dedicated leadership to reposition the Company and implement effective measures to improve Shareholders' value. In this light, the Company has maintained Mr. Zhang Hengxin as the Chairman and the Managing Director of the Company. The Company will review the current structure when and as it becomes appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 December 2019.

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 securities.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Au Yeung Ming Yin Gordon (Chairman), Mr. Chan Tsz Keung and Mr. Guo Zhenhui. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including the review of the audited results for the year ended 31 December 2019.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Elite Partners 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 Elite Partners CPA Limited on the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to express appreciation to colleagues for their hard work and dedication in the past year. We will remain committed to achieving better results and maximising returns to our Shareholders.

By order of the Board
AMCO United Holding Limited
ZHANG Hengxin
Chairman and Managing Director

Hong Kong, 30 March 2020

As at the date of this announcement, Mr. Zhang Hengxin and Mr. Jia Minghui are the Executive Directors; and Mr. Chan Tsz Keung, Mr. Au Yeung Ming Yin Gordon and Mr. Guo Zhenhui are the Independent Non-executive Directors.