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FOREBASE INTERNATIONAL HOLDINGS LIMITED

申基國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2310)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the annual results of Forebase International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) has not been completed. In the meantime, the board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited) (Note)
Revenue	4	92,228	94,582
Direct costs		(55,347)	(58,890)
Gross profit		36,881	35,692
Other income and gain, net	6	1,860	1,409
Share of profit of an associate		1,171	–
Share of (losses)/profits of joint ventures		(94)	553
Administrative expenses		(64,663)	(50,716)
Finance costs	7	(5,971)	(7,522)
Loss before income tax	8	(30,816)	(20,584)
Income tax credit/(expenses)	9	372	(1,236)
Loss for the year		(30,444)	(21,820)

	Note	2019 HK\$'000 (Unaudited)	2018 <i>HK\$'000</i> (Audited) <i>(Note)</i>
Loss for the year		(30,444)	(21,820)
Other comprehensive income/(expenses) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of financial statements of overseas operations		885	(5,293)
– Share of other comprehensive income/(expense) of joint ventures		6	(1,230)
– Release of exchange reserve upon disposal of subsidiaries		393	–
Other comprehensive income/(expenses) for the year		1,284	(6,523)
Total comprehensive expense attributable to the equity shareholders of the Company for the year		(29,160)	(28,343)
Loss per share	<i>11</i>	HK cents	<i>HK cents</i>
Basic and diluted		(4.28)	(4.11)

Note:

The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited) (Note)
Non-current assets			
Property, plant and equipment		86,724	84,738
Intangible assets	12	25,467	30,029
Right-of-use assets		2,853	–
Interest in an associate		21,070	–
Interests in joint ventures		44,516	44,604
Deferred tax assets		1,749	–
		<u>182,379</u>	<u>159,371</u>
Current assets			
Inventories		828	837
Trade and other receivables	13	28,301	37,712
Bank balances and cash		6,898	7,757
		<u>36,027</u>	<u>46,306</u>
Current liabilities			
Trade and other payables	14	22,433	11,972
Contract liabilities		4,407	5,019
Amounts due to related companies		–	7,157
Amount due to a shareholder		2,769	–
Current taxation		13,246	11,596
Secured loans	15	34,275	2,012
Loan from shareholders		11,187	–
Bonds	16	10,000	–
Lease liabilities		1,740	–
		<u>100,057</u>	<u>37,756</u>
Net current (liabilities)/assets		<u>(64,030)</u>	<u>8,550</u>
Total assets less current liabilities		<u>118,349</u>	<u>167,921</u>
Non-current liabilities			
Amount due to a director		–	3,315
Deferred tax liabilities		5,849	6,305
Secured loans	15	–	34,001
Bonds	16	50,181	60,181
Lease liabilities		1,199	–
		<u>57,229</u>	<u>103,802</u>
Net assets		<u><u>61,120</u></u>	<u><u>64,119</u></u>

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited) (Note)
Capital and reserves		
Share capital	388,883	368,984
Reserves	<u>(327,763)</u>	<u>(304,865)</u>
Total equity attributable to equity shareholders of the Company	<u>61,120</u>	<u>64,119</u>

Note:

The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Notes:

1. GENERAL

Forebase International Holdings Limited (the “Company”) was incorporated in Hong Kong with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company is Room 3805, 38/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The directors of the Company consider the Company has no ultimate and immediate holding companies as at 31 December 2019, while Mr. Choi Yun Chor and Mr. Cheng Ting Kong (the “Controlling Shareholders”) are the controlling shareholders of the Company.

The Company is an investment holding company and the principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are hotel operation in Canada and properties management in the People’s Republic of China (the “PRC”).

The functional currency of the Company is Hong Kong dollar (“HK\$”) and the functional currencies for certain subsidiaries are the Renminbi (“RMB”) and the Canadian dollar (“CAD”). For the purposes of presenting the unaudited consolidated financial statements, the Group adopted HK\$ as its presentation currency as its shares are listed in Hong Kong.

The unaudited financial information relating to the years ended 31 December 2019 and 2018 included in this announcement of 2019 annual results do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2019 in due course.

The Company’s auditor has not reported on the consolidated financial statements of the Group for the year ended 31 December 2019.

The Company’s auditor has reported on the financial statements for the year ended 31 December 2018. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The unaudited consolidated financial statements are presented in thousands of HK\$ (“HK\$’000”), unless otherwise stated.

2. BASIS OF PREPARATION

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

The significant accounting policies that have been used in the preparation of these unaudited consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's unaudited consolidated financial statements, if any, are disclosed in note 3. The unaudited consolidated financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

As at 31 December, 2019, the Group's current liabilities exceeded its current assets by HK\$64,030,000 (unaudited). The Controlling Shareholders have given an undertaking to provide continuing financial support to the Group to enable it to meet its liabilities as and when they fall due and to enable the Group to continue in operational existence and improve its profitability for the foreseeable future. The directors believe that the Group will continue as a going concern. The Group therefore continues to adopt a going concern basis in preparing its unaudited consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2019

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's unaudited 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 HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Other than the impact of the adoption of HKFRS 16 as noted below, the adoption of the new and amended HKFRSs had no material impact on how the unaudited annual results and financial position for the current and prior periods have been prepared and presented.

HKFRS 16 "Leases" ("HKFRS 16")

HKFRS 16 "Leases" replaces HKAS 17 "Leases" ("HKAS 17") along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC)-Int 4"), HK(SIC) Int-15 "Operating Leases-Incentives" and HK(SIC) Int-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease").

The Group has elected to use the modified retrospective approach with the cumulative effect of adopting HKFRS16 being recognised in equity as an adjustment to the opening balance of accumulated losses for the current period. Prior periods have not been restated and continued to be reported under HKAS 17.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as leases under HKAS 17 and HK(IFRIC)-Int 4.

As a lessee

Instead of performing an impairment review on the right-of-use asset at the date of initial application, the Group has relied on its historical assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparative information for the prior reporting period, as permitted under the specific transitional provisions in the standard. At this date, the Group has also elected to measure right-of-use assets as its carrying amount as if HKFRS 16 had been applied since the commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. The reclassifications and adjustments arising from the new leasing rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2018, but are recognised in the opening unaudited consolidated statement of financial position as at 1 January 2019.

The weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 5.13% per annum.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for leases liabilities recognised as at 1 January 2019:

	<i>HK\$'000</i>
Operating lease commitments at 31 December 2018 (audited)	5,041
Less: total future interest expense	<u>(437)</u>
Present value of lease liabilities recognised at 1 January 2019 (unaudited)	<u><u>4,604</u></u>
	<i>HK\$'000</i> (Unaudited)
Classified as	
Current lease liabilities	1,665
Non-current lease liabilities	<u>2,939</u>
	<u><u>4,604</u></u>

The remaining contractual maturities of the Group's lease liabilities at the date of transition to HKFRS 16 are as follows:

	As at 1 January 2019 <i>HK\$'000</i> (Unaudited)
Total minimum lease payments:	
Within one year	1,890
In the second to fifth years	<u>3,151</u>
	5,041
Less: future finance charges on leases liabilities	<u>(437)</u>
Present value of lease liabilities	<u><u>4,604</u></u>
Present value of minimum lease payments:	
Within one year	1,665
In the second to fifth years	<u>2,939</u>
	<u><u>4,604</u></u>

There is no material impact to the financial performance and cash flows upon the adoption of HKFRS 16.

The following table summarises the impact of transition to HKFRS 16 on the Group's unaudited consolidated statement of financial position at 1 January 2019:

	<i>HK\$ '000</i>
Increase in right-of-use assets (non-current assets)	4,576
Increase in lease liabilities (current liabilities)	(1,665)
Increase in lease liabilities (non-current liabilities)	(2,939)
Increase in accumulated losses	28
	<u>28</u>

Issued but not yet effective HKFRSs

The following new standards, amendments and interpretations have been published but are not mandatory effective, and have not been early adopted by the Group:

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
Amendments to HKFRS 3	Definition of a Business ³

¹ Effective date not yet determined

² Effective for annual periods beginning on or after 1 January 2020

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

Amendments to HKFRS 10 and HKAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments remove an acknowledged inconsistency between the requirements in HKFRS 10 “Consolidated Financial Statements” and those in HKAS 28 (2011) “Investments in Associates and Joint Ventures”, in dealing with the sale or contribution of assets between an investor and its associate or joint venture and require that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments are originally effective prospectively to transactions occurring in annual period beginning on or after 1 January 2016. However, such effective date has been postponed indefinitely with earlier adoption permitted. The directors expect that the amendments have no material impact on the unaudited consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments clarify the definition of material and state that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold “could influence” with “could reasonably be expected to influence” in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group’s unaudited consolidated financial statements.

Amendments to HKFRS 3 “Definition of a Business”

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

Amendments to HKFRS 3 is effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group’s unaudited consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. The directors anticipate that the application of all new and amendments to HKFRSs and interpretations will have no material impact on the unaudited consolidated financial statements of the Group.

4. REVENUE

The Group’s principal activities are disclosed in note 1.

Revenue from the Group’s principal activities recognised during the year is as follows:

	2019 <i>HK\$’000</i> (Unaudited)	2018 <i>HK\$’000</i> (Audited)
Hotel operation income	44,372	44,757
Properties management income	47,856	49,825
	92,228	94,582

Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical markets:

	Hotel operation		Properties management		Total	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Hotel accommodation	15,464	14,112	—	—	15,464	14,112
Food and beverage	21,645	22,988	—	—	21,645	22,988
Others	7,263	7,657	—	—	7,263	7,657
Properties management	—	—	47,856	49,825	47,856	49,825
	<u>44,372</u>	<u>44,757</u>	<u>47,856</u>	<u>49,825</u>	<u>92,228</u>	<u>94,582</u>
	44,372	44,757	47,856	49,825	92,228	94,582
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Timing of revenue recognition						
At a point in time	21,645	22,988	—	—	21,645	22,988
Over time	<u>22,727</u>	<u>21,769</u>	<u>47,856</u>	<u>49,825</u>	<u>70,583</u>	<u>71,594</u>
	<u>44,372</u>	<u>44,757</u>	<u>47,856</u>	<u>49,825</u>	<u>92,228</u>	<u>94,582</u>
	44,372	44,757	47,856	49,825	92,228	94,582
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Geographical markets						
PRC	—	—	47,856	49,825	47,856	49,825
Canada	<u>44,372</u>	<u>44,757</u>	<u>—</u>	<u>—</u>	<u>44,372</u>	<u>44,757</u>
	<u>44,372</u>	<u>44,757</u>	<u>47,856</u>	<u>49,825</u>	<u>92,228</u>	<u>94,582</u>
	44,372	44,757	47,856	49,825	92,228	94,582

5. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the Chief Executive Officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on goods or services provided are as follows:

(1) Hotel operation

Operation of a resort in Canada.

(2) Properties management

Properties management in the PRC.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segment's profit/(loss) that is used by CODM for assessment of segment performance.

All assets are allocated to reportable segments other than bank balances and cash, amounts due from related companies, interest in an associate, interests in joint ventures, right-of-use assets, and unallocated head office and corporate assets; and all liabilities are allocated to reportable segments other than amount due to a shareholder, amount due to a director, loan from shareholders, bonds, secured loans, deferred tax liabilities, lease liabilities and unallocated head office and corporate liabilities.

- (a) The following is an analysis of the Group's revenue, results and other material items by reportable and operating segments:

2019	Hotel operation HK\$'000 (Unaudited)	Properties management HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	44,372	47,856	92,228
Segment profit/(loss) derived from the Group's external customers	817	(2,161)	(1,344)
Finance costs	(2,131)	–	(2,131)
Depreciation of property, plant and equipment	(3,015)	(135)	(3,150)
Interest income	–	15	15
Amortisation	–	(4,562)	(4,562)
Loss on disposal of property, plant and equipment	(34)	–	(34)
Loss allowance of trade and other receivables	–	(16,509)	(16,509)
Segment assets	87,363	54,280	141,643
Additions to non-current segment assets	607	1,135	1,742
Segment liabilities	5,685	18,786	24,471

- (a) The following is an analysis of the Group's revenue, results and other material items by reportable and operating segments (*Continued*):

2018 (<i>Note</i>)	Hotel Operation HK\$ '000 (Audited)	Properties management HK\$ '000 (Audited)	Total HK\$ '000 (Audited)
Revenue from external customers	<u>44,757</u>	<u>49,825</u>	<u>94,582</u>
Segment profit derived from the Group's external customers	<u>903</u>	<u>11,778</u>	<u>12,681</u>
Finance costs	(2,176)	–	(2,176)
Depreciation	(3,343)	(58)	(3,401)
Interest income	–	20	20
Amortisation	–	(4,562)	(4,562)
Gain on disposal of property, plant and equipment	7	–	7
Loss allowance of trade receivables	–	(1,199)	(1,199)
Segment assets	86,704	63,993	150,697
Additions to non-current segment assets	2,286	38	2,324
Segment liabilities	<u>5,409</u>	<u>17,340</u>	<u>22,749</u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

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

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
(Loss)/profit from operations		
Segment (loss)/profit	(1,344)	12,681
Gain on amount due to a shareholder stated at fair value upon initial recognition	241	–
Gain on amount due to a director stated at fair value upon initial recognition	–	151
Depreciation		
– Property, plant and equipment	–	(61)
– Right-of-use assets	(1,723)	–
Equity-settled share-based payment expenses	(6,290)	(9,840)
Other finance costs	(3,840)	(5,346)
Share of profit of an associate	1,171	–
Share of (losses)/profits of joint ventures	(94)	553
Loss on disposal of subsidiaries	(885)	–
Unallocated head office and corporate expenses	(18,052)	(18,722)
Consolidated loss before income tax	<u>(30,816)</u>	<u>(20,584)</u>
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Assets		
Reportable segment assets	141,643	150,697
Bank balances and cash	6,898	7,757
Amounts due from related companies	–	648
Interest in an associate	21,070	–
Interests in joint ventures	44,516	44,604
Right-of-use assets	2,853	–
Unallocated head office and corporate assets	1,426	1,971
Consolidated total assets	<u>218,406</u>	<u>205,677</u>
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Liabilities		
Reportable segment liabilities	24,471	22,749
Amount due to a shareholder	2,769	–
Amount due to a director	–	3,315
Bonds	60,181	60,181
Secured loans	34,275	36,013
Deferred tax liabilities	5,849	6,305
Lease liabilities	2,939	–
Loan from shareholders	11,187	–
Unallocated head office and corporate liabilities	15,615	12,995
Consolidated total liabilities	<u>157,286</u>	<u>141,558</u>

Geographical information

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and right-of-use assets; and the location of the operations to which they are allocated, in the case of intangible assets, interest in an associate and interests in joint ventures. Non-current assets do not include deferred tax asset for the purpose of geographical information disclosure.

The Group's operations are principally located in Hong Kong, Canada, Malaysia and the PRC (excluding Hong Kong).

The Group's revenue from external customers and information about its non-current assets by geographical locations are detailed below:

	Revenue from external customers		Non-current assets	
	2019 (Unaudited) HK\$'000	2018 (Audited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Audited) HK\$'000
Canada	44,372	44,757	85,615	84,611
Hong Kong	—	—	2,853	—
Malaysia	—	—	21,070	—
The PRC (excluding Hong Kong)	47,856	49,825	71,092	74,760
	<u>92,228</u>	<u>94,582</u>	<u>180,630</u>	<u>159,371</u>

Information about major customers

There is no single external customer contributed over 10% of the total revenue of the Group for the years ended 31 December 2019 and 2018.

6. OTHER INCOME AND GAIN, NET

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Interest income from bank deposits	15	21
(Loss)/gain on disposal of property, plant and equipment	(34)	7
Gain on amount due to a shareholder stated at fair value upon initial recognition	241	—
Gain on amount due to a director stated at fair value upon initial recognition	—	151
Government rewards (<i>note</i>)	454	629
Interest income from amount due from a third party	—	475
Recognition of income attributable to unused gift certificates	781	—
Others	403	126
	<u>1,860</u>	<u>1,409</u>

Note: The government rewards provided by the PRC government to the Group were paid mainly as an incentive for maintaining good quality of properties management. There are no conditions and contingencies attached to the receipt of the government rewards and they are non-recurring in nature.

7. FINANCE COSTS

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited) (Note)
Interests on:		
– Secured loans	2,131	2,176
– Bonds	3,405	3,352
– Imputed interest on amount due to a shareholder	199	–
– Imputed interest on amount due to a director	–	1,994
– Lease liabilities	236	–
	<u>5,971</u>	<u>7,522</u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

8. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited) (Note)
Auditor's remuneration	920	860
Operating lease charges: minimum lease payments (note)	–	1,964
Staff costs (including directors' emolument)	48,155	53,871
– salaries, wages, allowances and other benefits in kind	39,541	40,894
– bonus	152	600
– retirement schemes contributions	2,172	2,537
– equity-settled share-based payment expenses	6,290	9,840
Cost of inventories	7,915	8,385
Depreciation	4,862	3,462
– Property, plant and equipment	3,150	3,462
– Right-of-use assets	1,723	–
Amortisation of intangible assets (note 12)	4,562	4,562
Loss on disposal of subsidiaries	885	–
Loss allowance of trade receivables	14,820	1,199
Loss allowance of other receivables	1,689	–

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

9. INCOME TAX (CREDIT)/EXPENSES

Taxation in the unaudited consolidated statement of profit or loss and other comprehensive income represents:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
PRC Corporate Income Tax (“CIT”)		
Provision for the year	1,859	1,920
Deferred tax		
Current year	(2,459)	(684)
Effect on opening deferred tax balance arising from a change in tax rate during the year	228	—
	<u>(2,231)</u>	<u>(684)</u>
	<u><u>(372)</u></u>	<u><u>1,236</u></u>

Notes:

- (a) No Hong Kong Profits Tax has been provided in the consolidated financial statements as the Group had no assessable profit in Hong Kong for the years ended 31 December 2019 and 2018.
- (b) Provision for the PRC CIT is calculated at 25% of the estimated assessable profits for both years ended 31 December 2019 and 2018.
- (c) Provision for the PRC CIT for Nuofute Property Management Co., Ltd.* 重慶諾富特物業管理有限公司 (“Nuofute Property Management”) is calculated at 15% of the estimated assessable profits for the year ended 31 December 2018. Nuofute Property Management is qualified as a company under the development strategy of the PRC’s western region and is able to enjoy a preferential income tax rate of 15%.

During the year ended 31 December 2019, Nuofute Property Management is entitled to a 5% of CIT rate for the first RMB1 million portion. The portion that exceeds RMB1 million but does not exceed RMB3 million (inclusive) is subject to an effective CIT rate of 10%.

- (d) Canadian Corporation Tax is calculated at Federal Tax rate of 15% (2018:15%) and British Columbia Provincial Tax rate of 12% on the estimated assessable profits for the year ended 31 December 2019 (2018: 11%). No provision for taxation has been made as there is no assessable profit for the years ended 31 December 2019 and 2018.
- (e) United States of America (“USA”) Corporation Tax is calculated at Federal Tax rate of 21% and California State Tax rate of 8.84% on the estimated assessable profits for the year ended 31 December 2019 and 2018. No provision for taxation has been made as there is no assessable profit for the years ended 31 December 2019 and 2018.
- (f) Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI for the years ended 31 December 2019 and 2018.

* For identification purpose only.

10. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2019 (unaudited) and 2018, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to equity shareholders of the Company is based on the following:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to equity shareholders of the Company	<u>(30,444)</u>	<u>(21,820)</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares as at 31 December	<u>711,588</u>	<u>531,213</u>

The diluted loss per share is the same as basis loss per share as the Company did not have any outstanding dilutive potential ordinary shares during the years ended 31 December 2019 (unaudited) and 2018.

12. INTANGIBLE ASSETS

	Customers relationship <i>HK\$'000</i>
Cost	
As at 1 January 2018 (audited), 31 December 2018 (audited), 1 January 2019 (unaudited) and 31 December 2019 (unaudited)	<u>45,616</u>
Amortisation	
As at 1 January 2018 (audited)	11,025
Charges for the year	<u>4,562</u>
As at 31 December 2018 (audited) and 1 January 2019 (unaudited)	15,587
Charges for the year	<u>4,562</u>
As at 31 December 2019 (unaudited)	<u>20,149</u>
Carrying values	
As at 31 December 2019 (unaudited)	<u>25,467</u>
As at 31 December 2018 (audited)	<u>30,029</u>

The amortisation charge for the year is included in “Administrative expenses” in the unaudited consolidated statement of profit or loss and other comprehensive income.

The customers relationship was acquired from third parties through business combinations. It was amortised on a straight-line basis over 10 years. The remaining useful life of the intangible assets was 6 years.

The discount rates reflect specific risks relation to the relevant cash generating units. The retention rates within the remaining six-year period have been based on the past experience and management’s expectation of market development.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of intangible assets as at 31 December 2019:

	2019 (Unaudited)	2018 (Audited)
Discount rates	18.2%	17.7%
Retention rates	85.8%-92.7%	89.5%-94.6%

Management of the Group considered that no impairment of intangible assets is necessary as at 31 December 2019 and 2018.

13. TRADE AND OTHER RECEIVABLES

	2019 HK\$’000 (Unaudited)	2018 HK\$’000 (Audited)
Trade receivables, net of loss allowance (<i>note (a)</i>)		
– with third parties	18,923	542
– with related companies	421	26,580
	19,344	27,122
Deposits and other receivables, net of loss allowance	2,776	2,724
Amounts due from third parties, net of loss allowance (<i>note (b)</i>)	4,888	6,004
Amounts due from related companies	–	648
Prepayments	1,293	1,214
	28,301	37,712

(a) Trade receivables

The Group allows an average credit period of 0 to 30 days to its trade customers. The following is an ageing analysis of trade receivables, net of loss allowance, based on the date of delivery of goods or date of rendering of services which approximated the respective dates on which revenue was recognised.

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Within 90 days	3,685	1,176
91 to 180 days	1,638	1,086
181 to 365 days	3,582	2,633
Over 365 days	10,439	22,227
	19,344	27,122

The movements in loss allowance of trade receivables during the year are as follows:

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
As at 1 January	6,611	5,755
Loss allowance of trade receivables recognised during the year	14,820	1,199
Exchange adjustments	(339)	(343)
As at 31 December	21,092	6,611

(b) Amounts due from third parties

The amounts due from third parties mainly included an amount of HK\$4,733,000 (unaudited) which is unsecured, interest bearing at 8% per annum and repayable on demand. Impairment loss of HK\$854,000 (unaudited) has been made for the year ended 31 December 2019.

14. TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Trade payables	1,148	1,234
Accruals	426	855
Other payables	20,859	9,883
	<u>22,433</u>	<u>11,972</u>

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

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Within 90 days	640	1,227
91 to 180 days	21	–
181 to 365 days	1	4
Over 365 days	486	3
	<u>1,148</u>	<u>1,234</u>

The average credit period on purchases of goods is 0 to 90 days.

15. SECURED LOANS

As at 31 December 2019, the secured loans were repayable as follows:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Within one year – current portion	<u>34,275</u>	<u>2,012</u>
Non-current portion		
After one year but within two years	–	2,122
After two years but within five years	–	7,110
After five years	<u>–</u>	<u>24,769</u>
	<u>–</u>	<u>34,001</u>
	<u>34,275</u>	<u>36,013</u>

As at 31 December 2019, the mortgage loans facilities are secured by land and buildings held for own use with carrying amount of approximately HK\$84,759,000 (unaudited) (2018: HK\$82,956,000 (audited)). The mortgage loans of HK\$32,514,000 and HK\$1,761,000 are repayable on 15 September 2031 and 15 September 2029 respectively, bear an interest rate of 2% plus prime rate per annum and jointly and severally guaranteed by Mr. Choi Yun Chor and Ms. Yeung So Mui. The loan facilities are reviewed periodically.

Under the renewed banking facilities letter of the secured loans, the relevant bank has the overriding right to demand for repayment even though the scheduled repayment dates are 12 months after the date of the reporting period. The Group did not obtain before the year end date a confirmation from the bank to waive such right for its secured loans totalling HK\$34,275,000. As a result, these loans with scheduled repayment dates beyond one year amounted to HK\$34,275,000 had to be classified as current liabilities as at 31 December 2019. The secured loans have been reclassified from non-current liabilities to current liabilities.

In the opinions of the directors of the Company, the effective interest rate of the secured loans was 5.7% (unaudited) (2018: 5.6% (audited)) per annum for the year ended 31 December 2019.

16. BONDS

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Current portion		
Bonds carried at fixed coupon rate of 8% per annum (<i>note (b)</i>)	<u>10,000</u>	<u>–</u>
Non-current portion		
Bonds carried at fixed coupon rate of 6% per annum (<i>note (a)</i>)	20,000	20,000
Bonds carried at fixed coupon rate of 8% per annum (<i>note (b)</i>)	10,000	20,000
Bonds carried at fixed coupon rate of 3% per annum (<i>note (c)</i>)	10,000	10,000
Bonds carried at fixed coupon rate of 3% per annum (<i>note (d)</i>)	<u>10,181</u>	<u>10,181</u>
	<u>50,181</u>	<u>60,181</u>
	<u><u>60,181</u></u>	<u><u>60,181</u></u>

Notes:

- (a) The Company entered into two placing agreements with a placing agent issued two 6% coupon unlisted bonds on 6 August 2014 and 10 October 2014 with the aggregate principal amount of HK\$10,000,000 each within the placing period. The amounts are repayable within 96 months from the date of issue, which are 5 August 2022 and 9 October 2022 respectively.
- (b) The Company issued two 8% coupon unlisted bonds with the aggregate principal amount of HK\$10,000,000 each on 23 January 2015 and 1 June 2015 respectively. The amounts are repayable within 96 months and 60 months respectively from the date of issue, which are 22 January 2023 and 31 May 2020 respectively.
- (c) The Company issued a 3% coupon unlisted bond with the principal amount of HK\$10,000,000 on 1 December 2017 to Mr. Shen Ke. The amount is repayable within 84 months from the date of issue, which is 30 November 2024.
- (d) The Company issued a bond with the principal amount of HK\$10,181,000 as part of the consideration in respect of the acquisition of the joint ventures on 6 March 2018. The bond bears interest rate at 3% per annum and is unsecured. The amount is repayable within 36 months from the date of issue, which is 5 March 2021.

17. EVENTS AFTER THE REPORTING PERIOD

Following the outbreak of Coronavirus Disease 2019 (the “COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in offices and encouraged social distancing, etc.

In light of the negative impact brought upon by the COVID-19 outbreak in short term, it may lead to increase of costs incurred by additional hygiene and epidemic prevention requirements when rendering basic property management services.

The COVID-19 outbreak started to significantly negatively impact the Group’s hotel operation in Canada since March 2020. The hotel has been closed as a result of government travel restrictions, quarantines and lockdowns. The hotel operation has seen a decline in revenue. The Group is now focused on all possible operational cost containment options, as well as deferring its spendings where possible.

The Group is not yet able to quantify the aforesaid influence due to the COVID-19 outbreak. However, the Group will pay close attention to the development of the COVID-19 outbreak and its impact and will continue to perform relevant assessments and take proactive measures as appropriate.

18. COMPARATIVE FIGURES

Certain comparative figures in the consolidated financial statements have been reclassified to conform to the current year’s presentation.

The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. The unaudited results contained herein have not been agreed by the Company's auditor. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2019 (2018: HK\$Nil). The Group's long-term dividend policy is to distribute not less than 30% of its net profit as a dividend each financial year, and the Board will review this dividend policy from time to time to ensure optimal returns to shareholders.

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") will be held at Board Room, Level 1, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Wednesday, 27 May 2020 at 2:30 p.m. The Notice of AGM will be published on the websites of the Company at www.forebase.com.hk and the Stock Exchange at www.hkexnews.hk, and is intended to be despatched to shareholders on or before Friday, 24 April 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20 May 2020 to Wednesday, 27 May 2020, both days inclusive, during which period, no transfer of shares will be registered. To be eligible for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 19 May 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Segment Information

Revenue represents hotel operating income and property management income. Revenue decreased by 2.5% to approximately HK\$92,228,000 (unaudited) from approximately HK\$94,582,000 (audited) in 2018 was mainly attributable to the depreciation of RMB and CAD during the year ended 31 December 2019.

Direct Costs

Direct costs decreased by approximately HK\$3,543,000 (unaudited) or 6.0% to approximately HK\$55,347,000 (unaudited) which was attributable to better cost control over food and beverage services in the business of hotel operation and energy consumption in the business of properties management.

Gross Profit

Gross profit increased by approximately HK\$1,189,000 (unaudited) or 3.3% which was in line with the decrease in revenue and direct costs.

Other Income and Gain, net

Other income and gain, net increased by approximately HK\$451,000 (unaudited) from approximately HK\$1,409,000 (audited) in 2018 to approximately HK\$1,860,000 (unaudited) in 2019. The increase was mainly due to the recognition of income attributable to unused gift certificates in hotel operation.

Administrative Expenses

Administrative expenses increased by approximately HK\$13,947,000 (unaudited) from approximately HK\$50,716,000 (audited) in 2018 to approximately HK\$64,663,000 (unaudited) in 2019 was mainly attributable to the increase in loss allowance of trade receivables.

Finance Costs

The Group's finance costs during the year amounted to HK\$5,971,000 (unaudited) (2018: HK\$7,522,000 (audited)) mainly due to the decrease in imputed interest on amount due to a shareholder as significant part of the amount was capitalised on 31 December 2018.

Taxation

Income tax expense decreased from approximately HK\$1,236,000 (audited) in 2018 to approximately income tax credit amounted to HK\$372,000 (unaudited) in 2019 was mainly attributable to the recognition of deferred tax assets of approximately HK\$1,749,000 (unaudited).

Loss for the Year

As a result of the foregoing combined effects of the above, the Group recorded a net loss of approximately HK\$30,444,000 (unaudited).

Liquidity and Financial Resources

As at 31 December 2019, the Group's net current liabilities and current ratio were approximately HK\$64,030,000 and 0.36 respectively (unaudited) (net current assets and current ratio in 2018: HK\$8,550,000 and 1.23 respectively (audited)).

Charge on Assets

As at 31 December 2019, the Group's land and buildings held for own use of approximately HK\$84,759,000 (unaudited) (2018: HK\$82,956,000 (audited)) were pledged to secure banking facilities granted to the Group.

Capital Structure

For the year ended 31 December 2019, the Group financed its liquidity requirements through a combination of cash flow as generated from operations, secured loans, bonds and advances from a director and loans from shareholders.

Commitment and Contingent Liabilities

As at 31 December 2019, the Group did not have any significant capital commitment and contingent liabilities.

BUSINESS REVIEW

Hotel Operation Business

Revenue from hotel operation accounted for approximately 48.1% (unaudited) of the total revenue. For the year 2019, the hotel achieved occupancy of 84.6% (2018: 80.7%) and growth in room revenue by 2.8% in its functional currency. However, the growth was offset by the deterioration of CAD. The revenue was therefore decreased by approximately HK\$385,000 (unaudited) from approximately HK\$44,757,000 (audited) in 2018 to approximately HK\$44,372,000 (unaudited) in 2019.

Property Management Business

Revenue from property management business amounted to approximately HK\$47,856,000 (unaudited), representing a decrease of 4.0% comparing to approximately HK\$49,825,000 (audited) in 2018. The decrease was due to the depreciation of RMB. The segmental revenue accounted for approximately 51.9% (unaudited) of the total revenue of the Group.

Net Gearing Ratio

The net gearing ratio was 1.62 (unaudited) as at 31 December 2019 (31 December 2018: 1.38 (audited)). The net gearing ratio was measured by net debt (including secured loans, loan from shareholders, and bonds, and deducting bank balances and cash) over the total equity.

Staff and Remuneration Policy

As at 31 December 2019, the Group had approximately 329 employees, including 201 based in the PRC, 13 based in Hong Kong and 115 based in Canada. Staff costs for the year ended 31 December 2019 were approximately HK\$48,155,000 (unaudited), representing a decrease of approximately HK\$5,716,000 (unaudited) as compared to approximately HK\$53,871,000 (audited) of last year due to the decrease in equity-settled share-based payment expenses.

Employee remuneration is determined in accordance with prevailing industry practice and employees' performance and experience. Discretionary bonuses are awarded to employees with outstanding performance with reference to the performance of the Group. Employees are also entitled to other staff benefits including medical insurance and mandatory provident fund.

Foreign Exchange Fluctuation and Hedge

The Group is not subject to material foreign currency exposure since its operations in the PRC and Canada are mainly denominated in RMB and CAD respectively and the Group's revenue and operating costs in the PRC and Canada are denominated in the functional currency of the Group's entity generating the sales or incurring the costs. Accordingly, the directors consider that the currency risk is not significant. As such, no hedging instrument is considered necessary by the Board during the year. The directors will monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

During the years ended 31 December 2019 and 2018, the Group did not enter into any forward foreign currency contracts.

Prospects

The property management segment is one of the key sources of income for the Group. Management believes that the property management industry in China will continue to grow steadily and this segment will bring stable income to the Group. While exploring new property management projects, the Group will actively consider expanding this segment through acquisitions.

The hotel operation business in Victoria, British Columbia, Canada continues to generate revenue for the Group, of which, however, has contributed less due to foreign currency exchange fluctuations. The Group has been exploring other business opportunities in hotel operation and property investment in Hong Kong, the PRC and other overseas countries, with an aim to deliver substantial returns for shareholders of the Company through a series of acquisitions and proposed cooperation.

OTHER INFORMATION

Corporate Governance

The Company is committed to achieving a high standard of practices of corporate governance so as to ensure the protection of shareholders' interests with better transparency. The Company has complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange during the year ended 31 December 2019, except for the following:

Code Provision E.1.2 stipulates that the former Chairman of the Board should attend the AGM. Due to other business engagements, the former Chairman of the Board was unable to attend the AGM. However, Mr. Gan Lin, a former executive director of the Company, took the chair of the AGM pursuant to the articles of association of the Company to ensure effective communication with the shareholders of the Company thereat.

Model Code for Securities Transactions by Directors

The Company has adopted Appendix 10, Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the code of practice for carrying out securities transactions by the directors of the Company. The Company, having made specific inquiries to all directors of the Company, confirmed that all directors have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2019.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Review of Accounts

The audit committee of the Board, which comprises all independent non-executive directors of the Company, has reviewed the financial results of the Group for the year ended 31 December 2019, including the accounting principles and practices adopted by the Group, and has reviewed and discussed with the management on the effectiveness of the Group's system regarding the internal controls and accounts.

Further Announcement(s)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process once it can be ascertained.

Publication of the Final Results and Annual Report

This unaudited results announcement has been published on the Company's website at www.forebase.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2019 annual report is expected to be despatched to shareholders of the Company on or before Friday, 24 April 2020, which will be also made available on the websites of the Company and the Stock Exchange.

By order of the Board
Forebase International Holdings Limited
CHOI YUN CHOR
Co-Chairman and Executive Director

Hong Kong, 31 March 2020

As at the date hereof, the executive Directors are Ms. YEUNG So Mui, Mr. CHOI Yun Chor, Mr. NG Kwai Wah Sunny, Mr. CHEN Jian, Mr. TAI Kwok Keung Kenny and Mr. LIN Junwei; and the independent non-executive Directors are Ms. LAI Cheuk Yu Cherrie, Mr. TING Wong Kacee and Dr. LOKE Yu (alias Loke Hoi Lam).