長城一帶一路
Great Wall Belt & Road

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 524)

UNAUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS FOR THE YEAR

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

- In light of the challenging business environment in the IT and Distribution Business, the Group applied a lower growth rate in the cash flow projections in the calculation of the value in use of these CGUs. As a result, the Group recorded an one-off impairment loss on goodwill and intangible assets of approximately HK$7.3 million and HK$24.4 million respectively in 2019 (2018: approximately HK$5.1 million and nil).

- The Group recorded unrealised net loss on fair value changes and a net loss on disposal and fair value changes of approximately HK$54.5 million and approximately HK$60.6 million respectively (2018: approximately HK$72.7 million of unrealised net gain on fair value changes and approximately HK$0.4 million of net loss on disposal and fair value changes) in respect of financial assets at FVPL in 2019. The unrealised net loss on fair value changes was mainly due to significant drop of fair value in SingAsia Shares in 2019.

- The consolidated loss attributable to equity holders of the Company for the Year amounted to approximately HK$192.5 million, compared to approximately HK$11.7 million for the prior year.

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

UNAUDITED ANNUAL RESULTS

For the reasons explained below under the paragraph headed "Preparation of Unaudited Annual Results", the auditing process for the annual results of Great Wall Belt & Road Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") has not been completed. The audited annual results may be different from the unaudited results contained in this announcement. The board (the "Board") of directors (the "Directors") of the Company is pleased to present the unaudited annual results of the Group for the year ended 31 December 2019 (the "Year") together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**2019 (Unaudited)** ***HK$'000***	2018 (Audited) *HK$'000*
Revenue	*2*	**79,210**	67,920
Cost of sales		**(65,719)**	(37,126)
Gross profit		**13,491**	30,794
Other revenue and income	*3*	**1,761**	4,372
		15,252	35,166
Selling and distribution expenses		**(1,578)**	(2,255)
Business promotion and marketing expenses		**(150)**	(462)
Operating and administrative expenses		**(35,014)**	(60,060)
Other operating expenses		**(19,888)**	(19,143)
Loss from operations		**(41,378)**	(46,754)
Finance costs	*4*	**(119)**	(7)
Bad debts written off on trade receivables		**–**	(28)
Loss allowance on			
• Trade receivables		**(140)**	(556)
• Other receivables		**(16,689)**	(45,720)
Impairment losses on intangible assets	*7*	**(24,434)**	–
Impairment losses on goodwill	*8*	**(7,341)**	(5,089)
Impairment losses on property, plant and equipment		**(94)**	(385)
Impairment losses on investment in a joint venture		**–**	(337)
Net increase (decrease) in fair value of financial assets at FVPL			
• Disposed of during the year		**(60,593)**	(443)
• Held at the end of the year		**(54,523)**	72,674
Write off of property, plant and equipment		**–**	(138)
Gain on disposal of property, plant and equipment		**232**	32
Net gain on disposal of a subsidiary	*14*	**–**	11,984
Gain on disposal of associates		**195**	–
Share of results of associates		**–**	(356)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the year ended 31 December 2019

	Notes	**2019 (Unaudited) *HK$'000***	2018 (Audited) *HK$'000*
Loss before taxation	*4*	**(204,884)**	(15,123)
Income tax credit (expenses)	*5*	**8,876**	(1,025)
Loss for the year		**(196,008)**	(16,148)
Loss for the year attributable to:			
Equity holders of the Company		**(192,528)**	(11,727)
Non-controlling interests		**(3,480)**	(4,421)
Loss for the year		**(196,008)**	(16,148)
		HK cents	*HK cents*
Loss per share	*6*		
Basic and diluted		**(18.3)**	(1.2)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Loss for the year	**(196,008)**	(16,148)
Other comprehensive (loss) income for the year		
Items that will not be subsequently reclassified to profit or loss:		
Designated FVOCI – net movement in investment revaluation reserve	**(279)**	(55)
Items that are or may be subsequently reclassified to profit or loss:		
Derecognition of exchange reserve upon deregistration/ disposal of a subsidiary	**62**	(66)
Exchange differences on translation of foreign subsidiaries	**(924)**	(3,610)
Share of other comprehensive loss of associates – Exchange difference on translation	**(1,001)**	(5,257)
Share of other comprehensive loss of a joint venture – Exchange difference on translation	**–**	(6)
Total other comprehensive loss for the year	**(2,142)**	(8,994)
Total comprehensive loss for the year	**(198,150)**	(25,142)
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	**(194,635)**	(20,535)
Non-controlling interests	**(3,515)**	(4,607)
Total comprehensive loss for the year	**(198,150)**	(25,142)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019 (Unaudited) *HK$'000***	2018 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**202**	1,262
Right-of-use assets		**2,517**	–
Interest in associates		**56,079**	57,081
Intangible assets	*7*	**7,819**	47,771
Goodwill	*8*	**–**	7,341
Designated FVOCI		**2,384**	2,663
		69,001	116,118
Current assets			
Financial assets at FVPL	*9*	**1,571**	131,254
Trade and other receivables	*10*	**31,239**	43,531
Tax recoverable		**52**	–
Pledged bank deposits		**738**	885
Bank balances and cash		**6,672**	13,915
		40,272	189,585

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019

	Notes	**2019** **(Unaudited)** ***HK$'000***	2018 (Audited) *HK$'000*
Current liabilities			
Trade and other payables	*11*	**75,560**	65,935
Tax payable		**–**	1,307
Obligations under finance leases		**–**	50
Lease liabilities		**3,052**	–
		78,612	67,292
Net current (liabilities) assets		**(38,340)**	122,293
Total assets less current liabilities		**30,661**	238,411
Non-current liabilities			
Deferred tax liabilities	*12*	**66**	9,666
NET ASSETS		**30,595**	228,745
Capital and reserves			
Share capital	*13*	**10,503**	10,503
Reserves		**20,590**	215,225
Equity attributable to equity holders of the Company		**31,093**	225,728
Non-controlling interests		**(498)**	3,017
TOTAL EQUITY		**30,595**	228,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

Going concern

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets. The Group incurred a net loss of approximately HK$196,008,000 for the year ended 31 December 2019. At 31 December 2019, the current liabilities of the Group exceeded its current assets by approximately HK$38,340,000. The Group maintained bank balances and cash of approximately HK$6,672,000 as at 31 December 2019.

These conditions indicate the existence of uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and therefore the Group entered into loan agreements with the directors during the year with aggregate amount of HK$41,700,000 to mitigate the liquidity and financial pressure and to improve the Group's financial position. Such loans are on normal commercial terms or better, interest-free with no pledge of assets or guarantee provided by the Group, which constitute a fully-exempt connected transaction of the Group under Chapter 14A of the Listing Rules. As at 31 December 2019, total amount of borrowing from directors amounted approximately HK$2,840,000 and total amount of borrowings yet to withdraw amounted approximately HK$38,860,000. In addition, as the announcement dated 31 March 2020, the Group has entered into a non-legally binding memorandum of understanding in relation to the disposal of equity interest in a project company in Wusu city in PRC for the potential consideration of RMB50,000,000 per the announcement. The disposal once completed would possibly generate net cash inflow of RMB50,000,000 to the Group. Further detailed information of such disposal was disclosed in the announcement dated 31 March 2020.

The management of the Company is of the opinion that, taking into account the loans from the directors, the Group has sufficient working capital for its current operation used in future twelve months. Hence, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

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

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs

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

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

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

HKFRS 16: Leases

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

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

The Group elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4, but not to those that were not previously identified as containing a lease. Therefore, the definition of lease under HKFRS 16 is applied only to contracts entered into or changed on or after the DIA.

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

Adoption of new/revised HKFRSs (Continued)

As lessee

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

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

As lessee – leases previously classified as operating leases

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

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

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

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

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

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

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

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

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

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

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

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

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

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

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets and lease liabilities of approximately HK$5,815,000 were recognised on initial measurement respectively. Obligation under finance leases of approximately HK$50,000 were classified to lease liabilities.

- There was no adjustment to the opening balance of components of equity as the cumulative effect of initial adoption was insignificant.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Adoption of new/revised HKFRSs (Continued)

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

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

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

As lessor

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

2. REVENUE AND SEGMENT INFORMATION

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

In addition to the information shown in segment disclosures to the consolidated financial statements, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

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

2. REVENUE AND SEGMENT INFORMATION (Continued)

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

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

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

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

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

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) By business segments

Segment results for the year ended 31 December 2019

	Tele-communication services (Unaudited) *HK$'000*	Financial payment processing solution and software development services and distribution business (Unaudited) *HK$'000*	Property development and tourism (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Revenue				
External sales	**75,054**	**4,156**	**–**	**79,210**
Results				
Segment results	**(6,360)**	**(19,241)**	**(20)**	**(25,621)**
Impairment on intangible assets	**–**	**(24,434)**	**–**	**(24,434)**
Impairment on goodwill	**–**	**(7,341)**	**–**	**(7,341)**
Finance costs	**(34)**	**–**	**–**	**(34)**
	(6,394)	**(51,016)**	**(20)**	**(57,430)**
Unallocated other operating income and expenses				**(147,454)**
Loss before taxation				**(204,884)**

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

Segment assets and liabilities as at 31 December 2019

	Tele-communication services (Unaudited) *HK$'000*	Financial payment processing solution and software development services and distribution business (Unaudited) *HK$'000*	Property development and tourism (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Assets				
Assets before following items:	11,238	18,791	108	30,137
Intangible assets	–	7,819	–	7,819
Interests in associates	–	–	56,079	56,079
Segment assets	11,238	26,610	56,187	94,035
Unallocated assets				15,238
				109,273
Liabilities				
Segment liabilities	(10,872)	(1,277)	(188)	(12,337)
Unallocated liabilities				(66,341)
				(78,678)

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

Other segment information for the year ended 31 December 2019

	Tele-communication services (Unaudited) *HK$'000*	Financial payment processing solution and software development services and distribution business (Unaudited) *HK$'000*	Property development and tourism (Unaudited) *HK$'000*	Unallocated (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Capital expenditures	**(93)**	**–**	**–**	**(2)**	**(95)**
Interest income	**9**	**524**	**–**	**132**	**665**
Amortisation and depreciation	**(567)**	**(14,943)**	**–**	**(3,307)**	**(18,817)**
Impairment losses on property, plants and equipment	**(94)**	**–**	**–**	**–**	**(94)**
Impairment losses on intangible assets	**–**	**(24,434)**	**–**	**–**	**(24,434)**
Impairment losses on goodwill	**–**	**(7,341)**	**–**	**–**	**(7,341)**
Loss allowance on					
– Trade receivables	**(140)**	**–**	**–**	**–**	**(140)**
– Other receivables	**(1,000)**	**(8,141)**	**–**	**(7,548)**	**(16,689)**
Net decrease in fair value of financial assets at FVPL					
– Disposed of during the year	**–**	**–**	**–**	**(60,593)**	**(60,593)**
– Held at the end of the year	**–**	**–**	**–**	**(54,523)**	**(54,523)**
Gain on disposal of property, plant and equipment	**5**	**–**	**–**	**227**	**232**
Gain on disposal of interest in associates	**–**	**–**	**–**	**195**	**195**
Lease expenses on short-term leases	**–**	**(38)**	**–**	**(866)**	**(904)**
Non-cash items other than amortisation, depreciation and impairment	**(1,140)**	**(8,141)**	**–**	**(7,548)**	**(16,829)**

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

Segment results for the year ended 31 December 2018

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

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

Segment assets and liabilities as at 31 December 2018

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

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

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

Other segment information for the year ended 31 December 2018

	Tele-communication services (Audited) *HK$'000*	Financial payment processing solution and software development services and distribution business (Audited) *HK$'000*	Property development and tourism (Audited) *HK$'000*	Unallocated (Audited) *HK$'000*	Total (Audited) *HK$'000*
Capital expenditures	(435)	–	(62,248)	(56)	(62,739)
Interest income	4	149	2	78	233
Amortisation and depreciation	(438)	(15,729)	–	(2,341)	(18,508)
Impairment of property, plants and equipment	(385)	–	–	–	(385)
Impairment losses on goodwill	–	(5,089)	–	–	(5,089)
Impairment losses on investment in a joint venture	–	(337)	–	–	(337)
Loss allowance on					
– Trade receivables	(556)	–	–	–	(556)
– Other receivables	–	(45,720)	–	–	(45,720)
Net increase (decrease) in fair value of financial assets at FVPL					
– Disposed of during the year	–	–	–	(443)	(443)
– Held at the end of the year	–	–	–	72,674	72,674
Write off of property, plant and equipment	–	–	–	(138)	(138)
Gain on disposal of property, plant and equipment	12	–	–	20	32
Operating lease charges on premises	984	73	–	17,600	18,657
Non-cash items other than amortisation, depreciation and impairment	(584)	(45,720)	–	–	(46,304)

2. REVENUE AND SEGMENT INFORMATION (Continued)

(b) By geographical information

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

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

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

	2019 (Unaudited) HK$'000	2018 (Audited) HK$'000
Hong Kong	**2,481**	1,262
The PRC	**63,898**	112,193
Singapore	**238**	–
	66,617	113,455

(c) Information about major customers

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

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

3. OTHER REVENUE AND INCOME

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

4. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

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

5. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose in Hong Kong for the year.

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

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Current tax		
Overseas income taxes		
– Current year	**(722)**	(4,183)
– Under provision in prior year	**–**	(400)
	(722)	(4,583)
Deferred tax		
Origination and reversal of temporary differences		
– Depreciation allowances	**9,598**	3,558
	9,598	3,558
Total tax credit (expenses)	**8,876**	(1,025)

6. LOSS PER SHARE

The calculation of the loss per share for the year is based on the consolidated loss attributable to equity holders of the Company of approximately HK$192,528,000 (2018: loss of approximately HK$11,727,000) and the weighted average number of 1,050,280,000 (2018: 1,019,595,068) shares in issue during the year.

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

7. INTANGIBLE ASSETS

	As at 31 December	
	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Reconciliation of carrying amount – year ended 31 December		
At the beginning of the reporting period	**47,771**	71,199
Amortisation	**(14,942)**	(16,063)
Disposal of a subsidiary	**–**	(4,729)
Impairment losses	**(24,434)**	–
Exchange adjustments	**(576)**	(2,636)
At the end of the reporting period	**7,819**	47,771

8. GOODWILL

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

8. **GOODWILL (Continued)**

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

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

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

	2019		2018	
	Goodwill (Unaudited) *HK$'000*	**Intangible assets with finite useful life (Unaudited) *HK$'000***	Goodwill (Audited) *HK$'000*	Intangible assets with finite useful life (Audited) *HK$'000*
Financial payment processing solution and software development services business	**–**	**6,840**	2,856	15,958
Distribution business	**–**	**979**	4,485	31,813
	–	**7,819**	7,341	47,771

8. GOODWILL (Continued)

The Group has appointed an independent professional valuer, Flagship Appraisals and Consulting Limited, to perform an appraisal of the values of the financial payment processing solution and software development services business and distribution business at the end of the reporting period.

The Group's share of the recoverable amounts of these CGUs as at 31 December 2019 of approximately HK$10,814,000 (2018: approximately HK$52,151,000) have been determined based on value in use calculations. The calculation uses cash flow projections based on financial budgets approved by the Board covering a 5-year period. Cash flows beyond the 5-year period has been extrapolated using a 2% long-term growth rate per annum. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

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

	Financial payment processing solution and software development services business		**Distribution business**	
	2019	2018	**2019**	2018
	%	*%*	*%*	*%*
Average growth rate for the 5-year budget period *(per annum)*	**(1)**	(2)	**(2)**	14
Long-term growth rate *(per annum)*	**2**	2	**2**	2
Pre-tax discount rate *(per annum)*	**25**	33	**32**	30

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

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

8. **GOODWILL (Continued)**

Sensitivity of Key Assumptions

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

9. **FINANCIAL ASSETS AT FVPL**

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

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

10. TRADE AND OTHER RECEIVABLES

	Notes	2019 (Unaudited) HK$'000	2018 (Audited) HK$'000
Trade receivables			
From third parties		**15,559**	13,990
From an associate		**–**	313
		15,559	14,303
Loss allowance		**(5,136)**	(4,697)
		10,423	9,606
Other receivables			
Deposits		**2,263**	2,111
Prepayments		**368**	1,083
Other debtors	*(a)*	**6,502**	16,255
Due from securities broker		**3**	215
Due from an associate		**350**	1,000
Loan receivable from a non-controlling interest of a subsidiary		**11,330**	11,591
Consideration receivable from disposal of a subsidiary	*14*	**–**	1,670
		20,816	33,925
		31,239	43,531

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

	2019 (Unaudited) HK$'000	2018 (Audited) HK$'000
Less than 1 month	**4,758**	5,995
1 to 3 months	**1,247**	328
More than 3 months but less than 12 months	**2,333**	2,976
More than 12 months	**2,085**	307
	10,423	9,606

10. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) Included in other debtors at 31 December 2017 were advancements of approximately RMB17,516,000 (equivalent to HK$21,095,000) in aggregate to a company which is owned by the managing director of a PRC subsidiary of the Group (the "Company A") and which was proposed to provide human resources management and administration services to the Group. A director of the PRC subsidiary who is also a non-controlling interest of the PRC subsidiary has provided an undertaking to indemnify the Group against any losses from non-recovery of the advance of RMB17,516,000 (equivalent to HK$21,095,000).

In 2018, the PRC subsidiary further strengthened the cooperation with the Company A. Due to short-term liquidity problem, the PRC subsidiary of the Group further advanced in aggregate of approximately RMB20,583,000 (equivalent to HK$24,625,000) to the Company A as a kind of financial support during the year ended 31 December 2018. The director of the PRC subsidiary has further provided an undertaking to indemnify the Group against any losses from non-recovery of the advances of RMB20,583,000 (equivalent to HK$24,625,000).

In January 2019, the management of the Group was aware of that Company A was under the process of de-registration. In March 2019, the management further noted that a liquidation committee of Company A had been set up. The management was seeking legal advice and considering any legal proceeding, including a request for the execution of the indemnity in order to recover of the balances. In view of that it might take a period of time to proceed the liquidation process and take legal action and deterioration in the financial position of the Company A, the management considered it was probable that Company A would enter bankruptcy/liquidation or other financial reorganisation and the recoverability of the amounts due became remote. Therefore, full amount of loss allowance of approximately RMB38,099,000 (equivalent to HK$45,720,000) was provided during the year ended 31 December 2018.

As at the date of this announcement, the PRC subsidiary has not recovered the advances to Company A that had been de-registered in November 2019. The Group will keep striving to look for solutions to recover the advances including taking necessary legal actions against relevant parties of Company A and requesting for the execution of the indemnity. In addition, after continuously reviewing the possibility of receiving other account receivables by the PRC subsidiary, the Group is taking prudent view to make necessary provision to such other account receivables considering the age and the overall business environment.

11. TRADE AND OTHER PAYABLES

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade payables to third parties	**3,925**	5,893
Other payables		
Accrued charges and other creditors	**18,588**	9,684
Deferred revenue	**244**	–
Consideration payable	**37,172**	37,172
Due to a former director	**12,393**	12,393
Due to associates	**398**	793
Loan from director	**2,840**	–
	71,635	60,042
	75,560	65,935

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

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

12. DEFERRED TAXATION

Recognised deferred tax liabilities

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

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
At the beginning of the reporting period	**(9,666)**	(13,782)
Credit to profit or loss	**9,598**	3,558
Exchange adjustments	**2**	558
At the end of the reporting period	**(66)**	(9,666)

13. SHARE CAPITAL

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

14. DISPOSAL OF A SUBSIDIARY

On 22 March 2018, the Group disposed of 100% of its equity interest in Cybersite Services Pte Ltd. ("Cybersite") to a third party, at a consideration of approximately S$2,203,000 (equivalent to approximately HK$13,195,000). The details are as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	**264**
Intangible assets	**4,729**
Other receivables	**288**
Bank balances and cash	**806**
Other payables	**(3,794)**
Deferred revenue	**(1,016)**
Net assets upon disposal	**1,277**
Release of exchange reserve	**(66)**
Gain on disposal	**11,984**
Consideration	**13,195**

Analysis of net inflow of cash and cash equivalents in respect of disposal of the subsidiary is as follows:

	HK$'000
Cash consideration (paid portion)	**11,525**
Cash and cash equivalents disposed	**(806)**
Net inflow of cash and cash equivalents	**10,719**

15. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the outbreak of COVID-19 in January 2020 has caused disruptions to many industries. These disruptions have inevitably posed a significant threat to the global economy in 2020. Despite the challenges, governments and international organizations have implemented a series of measures to contain the epidemic. The time duration and scope of these disruptions cannot be accurately assessed at this point in time. Given the dynamic nature of these circumstances, the financial impact will be reflected in the Group's subsequent financial statements. The Group will closely monitor the development of the epidemic and assess its impact on its operations.

In addition, as the announcement dated 31 March 2020, the Group has entered into a non-legally binding memorandum of understanding in relation to the disposal of equity interest in a project company in Wusu city in PRC for the potential consideration of RMB50,000,000 per the announcement. The disposal once completed would possibly generate net cash inflow of RMB50,000,000 to the Group. Further detailed information of such disposal was disclosed in the announcement dated 31 March 2020.

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

FINAL DIVIDEND

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

BUSINESS REVIEW

Overall review

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

Loss from operations for the year was approximately HK$41.4 million, representing a decrease of 11.5% compared to loss of approximately HK$46.8 million for the previous year due to more efficient management of cost control. Loss attributable to equity holders of the Company of approximately HK$192.5 million was recorded for the Year as compared with loss of approximately HK$11.7 million for the prior year. Such significant increase of loss was mainly attributable to the net loss on disposal of listed securities and unrealised fair value losses in respect of investment in listed securities held for trading and the impairment loss on the intangible assets.

Telecom Business (telecommunication and information technology business)

Total revenue recorded by the Telecom Business, which comprises the voice telecommunication and information technology businesses in Singapore and Hong Kong, and remains as the Group's major revenue contributor in 2019, was approximately HK$75.1 million, representing an increase of 62.8% compared to approximately HK$46.1 million for the prior year. Such increase was mainly attributable to the expansion of the Group's wholesale voice telecommunications segment of the Telecom Business during the year under review. In view of the growth of the wholesale voice telecommunication business, barring the unforeseen circumstances, the Group will keep striving to develop its wholesale voice telecommunications, and/or channel-driven service distribution business segment(s) so as to maintain a comparable level of business activities of the Telecom Business as in past years.

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

BUSINESS REVIEW (CONTINUED)

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

Total revenue from the IT and Distribution Business was approximately HK$4.2 million that was all attributable to the financial payment processing solution and software development services segment, and recorded a decrease of 80.9% compared to approximately HK$21.8 million for the previous year, mainly due to that no revenue was generated from distribution business segment during the year under review.

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

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

BUSINESS REVIEW (CONTINUED)

Property development and toursim business

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

As disclosed in the announcement of the Company dated 31 March 2020, the Company has entered into the non-legally binding memorandum of understanding with an independent third party in relation to potential disposal of entire equity interest in B&R Investment Holding Limited, which in turn holds 25% equity interest in a PRC company engaging in the development of the aforesaid characteristic town project. We believe the potential disposal is an opportunity to enable the Group's capital resources to be utilised more efficiently to support the Group's business plan and/or to explore new investment and business opportunity that may arise in the future.

Outlook

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

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

FINANCIAL REVIEW

Turnover and results

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

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

Total operating expenses of the Group for the Year amounted to approximately HK$56.6 million, compared to approximately HK$81.9 million in the previous year. The decrease was mainly due to lower staff costs and selling and distribution expenses after the streamline of business portfolio of the Telecom Business, rental deduction after the termination of an office lease in September 2018.

The Group recorded unrealised net loss on fair value changes and a net loss on disposal and fair value changes of approximately HK$54.5 million and approximately HK$60.6 million respectively (2018: approximately HK$72.7 million of unrealised net gain on fair value changes and approximately HK$0.4 million of net loss on disposal and fair value changes) in respect of financial assets at FVPL in 2019. The unrealised net loss on fair value changes was mainly due to significant drop of fair value in SingAsia Shares in 2019.

The Group has appointed independent professional valuer to perform an appraisal of the values in use of Hangzhou Susong as at 31 December 2019. As a result of downward adjustment on the financial forecast, the Group recorded an impairment loss on goodwill and intangible assets of approximately HK$7.3 million and HK$24.4 million respectively (2018: approximately HK$5.1 million and nil).

The operating loss of the Group amounted to approximately HK$41.4 million, as compared to a loss of approximately HK$46.8 million for the previous year.

Loss attributable to the equity holders of the Company amounted to approximately HK$192.5 million, as compared to a loss of approximately HK$11.7 million for the previous year.

FINANCIAL REVIEW (CONTINUED)

Circumstances leading to the impairment loss of Hangzhou Susong

Total revenue of Hangzhou Susong in 2019 decreased by 80.9% compared to 2018, mainly due to that no revenue was generated from distribution business segment during the year.

In light of the declining revenue and challenging business environment in the IT and Distribution Business, the Group anticipated a lower financial forecast in the IT and Distribution Business, resulting in the recognition of impairment loss on goodwill and intangible assets of approximately HK$7.3 million and HK$24.4 million respectively in 2019.

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

	Valuation in relation to the 2019 Impairment	**Valuation in relation to the 2018 Impairment**
Valuation date	31 December 2019	31 December 2018
Valuation methodology	Discounted cash flow, income approach	Discounted cash flow, income approach
Major assumptions	Revenue growth	Revenue growth
	• Average growth rate of 3% from 2020 to 2024	• Average growth rate of 5% from 2019 to 2023
	• Average growth rate of –1% for IT Business from 2020 to 2024	• Average growth rate of –2% for IT Business from 2019 to 2023
	• Average growth rate of –2% for distribution business from 2020 to 2024	• Average growth rate of 14% for distribution business from 2019 to 2023

FINANCIAL REVIEW (CONTINUED)

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

	Valuation in relation to the 2019 Impairment	**Valuation in relation to the 2018 Impairment**
	Gross margins	Gross margins
	Range from 73% to 74% during the forecast period between 2020 to 2024	Range from 82% to 90% during the forecast period between 2019 and 2023
	Corporate tax rate	Corporate tax rate
	25%	25%
	Terminal growth	Terminal growth
	2%	2%
Discount rate (pre-tax)	26% 25% for IT Business 32% for distribution business	31% 33% for IT Business 30% for distribution business

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

(i). Financial forecast

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

FINANCIAL REVIEW (CONTINUED)

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

(ii). Discount rate

The discount rate applied was based on the same methodology in the previous year. The difference of discount rate between 2019 and 2018 is mainly because of the change in market parameter (i.e. the applied debt-to-equity ratio) and specific risk premium. The applied debt-to-equity ratio makes reference to comparable companies' trading data, while the specific risk premium was adjusted to reflect the uncertainty of business environment and market competitions.

Capital structure, liquidity and financing

As at 31 December 2019, the net assets of the Group amounted to approximately HK$30.6 million compared to approximately HK$228.7 million as at 31 December 2018. The net assets decreased significantly in 2019 mainly due to the decrease in value of financial assets at FVPL and recognition of impairment loss on goodwill and intangible assets.

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

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

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

As at 31 December 2019, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 19.3% (2018: 0.1%).

FINANCIAL REVIEW (CONTINUED)

Foreign exchange exposure

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

Contingent liabilities and capital commitments

As at 31 December 2019, the Company is involved in a dispute on certain of the proceeds from the disposal of a subsidiary in year 2015. The Group's management believes that the claim is without merit and the possibility of a significant loss arising from the dispute is remote and therefore no provision of the claims was considered necessary.

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

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

FINANCIAL REVIEW (CONTINUED)

Significant investments held and performance

As at 31 December 2019, the Group held for trading investments in securities in Hong Kong (collectively, the "Investments") with a market value of approximately HK$1.4 million (31 December 2018: approximately HK$129.8 million), representing an investment portfolio of five (31 December 2018: five) listed equities in Hong Kong. The Group recorded unrealised net loss on fair values changes and a net loss on disposal and fair value changes of approximately HK$54.5 million and approximately HK$60.6 million respectively (2018: approximately HK$72.7 million of unrealised net gain on fair value changes and approximately HK$0.4 million of net loss on disposal and fair value changes) in respect of financial assets at FVPL in 2019. The significant decrease in fair value for those held as at 31 December 2019 was mainly due to the decrease in the stock price of the shares of SingAsia Holdings Limited ("SingAsia Share") in 2019. The details of the Investments as at 31 December 2019 were as follows:

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised loss on disposal for the year *HK$'000*	Unrealised loss on fair value change for the year *HK$'000*	Fair value as at 1 January 2019 *HK$'000*	Fair value as at 31 December 2019 *HK$'000*	% of net assets	Principal activities
1 New Provenance Everlasting Holdings Limited	02326	1,000,000	0.01%	–	(13)	30	17	0.03%	Sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products and utilities, sale of electrical and electronic consumer products, provision of logistics services
2 SingAsia Holdings Limited	08293	8,500,000	0.57%	(60,593)	(53,057)	127,386	493	0.76%	Provide manpower outsourcing services, manpower recruitment services and manpower training services based in Singapore
3 China Saite Group Company Limited	00153	5,040,000	0.17%	–	(1,068)	1,865	796	1.23%	Construction of steel structure and prefabricated construction projects
4 Haitian Energy International Limited	01659	2,576,000	0.03%	–	(340)	340	–	0.00%	Hydropower generation and provision of power operation services
5 Sino Harbour Holdings Group Limited	01663	1,000,000	0.04%	–	(44)	185	141	0.22%	Property development and general trading
				(60,593)	(54,522)	129,806	1,447		

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

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

PREPARATION OF UNAUDITED ANNUAL RESULTS

The Board wishes to emphasize that the unaudited consolidated results of the Group for the year ended 31 December 2019 set out herein is extracted directly from the latest unaudited management accounts of the Group for the year ended 31 December 2019 and is subject to changes resulting from, among other things, (i) further review by the Company and relevant professional parties; (ii) the completion of the audit procedures as required by relevant audit standards, including but not limited to the audit confirmations, on the entities of the Group; and (iii) any potential adjustments and differences in judgements such as impairment loss, loss allowance and assumptions and that might be necessary according to the work results of the Company's auditor.

The unaudited consolidated results of the Group for the year ended 31 December 2019 is subject to change and has not been agreed by the auditor of the Company as required under Rule 13.49(2) of the Listing Rules.

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the outbreak of Coronavirus disease (COVID-19). Set out below are the major difficulties faced during the auditing process as per communication between the management and the auditor of the Company:

1. Depending on the location of the subsidiaries of the Company, the time of resuming business in the PRC for the end of the Lunar Chinese New Year has been delayed for at least 10 to 20 days and most of the working units adopt "home office" approach to work from office. Consequently, the management accounts of the PRC entities of the Group as well as the consolidated management accounts of the Company were only available for audit in mid of March 2020. In addition, Visitors are generally required to be isolated for 14 days and restricted from work, which lead to the overall delay.

2. The sending and receipt of audit confirmations suffer long delay due to restriction of mail services in the PRC. The time required for audit confirmations to reach the Group's counterparties in the PRC (including banks, debtors, creditors, etc.) took much longer time than usual. Meanwhile there exist additional uncertainties for the counterparties in the PRC to handle and provide responses to the auditor's confirmation request. As of the date of this announcement, the Company's auditor is unable to collect a sufficient amount of audit confirmations.

PREPARATION OF UNAUDITED ANNUAL RESULTS (CONTINUED)

In order to keep the shareholders of the Company and potential investors of the Company informed of the Group's business operation and financial position, the Board has set forth in this announcement the unaudited consolidated results of the Group for the year ended 31 December 2019 as extracted from the latest unaudited management accounts of the Group for the year ended 31 December 2019. The Directors confirmed that the unaudited consolidated results of the Group for the year ended 31 December 2019 were prepared on the same basis as used in the audited consolidated financial statements of the Group for the year ended 31 December 2018 except for the application of new and amendments to HKFRSs set out in note 1 to this announcement.

As a result of the outbreak of the novel coronavirus epidemic, the ability to conduct an audit of the Group's consolidated financial statements has been affected, mainly as a result of the travel restrictions and quarantine measures. The Company currently expects that more time will be required to complete the audit work in the PRC and hence there will be a delay in the publication of audited results of the Group for the year ended 31 December 2019 and the despatch of the Company's annual report for the year ended 31 December 2019. The Company expects that the annual report of the Company for the year ended 31 December 2019 will be published on or before 15 May 2020.

The unaudited annual results contained herein have been reviewed by the Audit Committee of the Company. However, due to the COVID-19 which impacted heavily on the company's operations and substantial audit works are yet to be completed by the Company's Auditor (details refer to Page 42 of this result announcement), the unaudited annual results are yet to be agreed by the Audit Committee. The Company has allocated all available resources to complete the required works and meet the deadline.

EMPLOYEE AND REMUNERATION POLICIES

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE (CONTINUED)

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

INSUFFICIENT NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The unaudited consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed by the Board and Audit Committee. However, due to the COVID-19 which impacted heavily on the company's operations and substantial audit works are yet to be completed by the Company's Auditor (details refer to Page 42 of this result announcement), the unaudited annual results are yet to be agreed by the Board and Audit Committee. The Company has allocated all available resources to complete the required works and meet the deadline.

EVENTS AFTER THE REPORTING PERIOD

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

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

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

PUBLICATION OF FURTHER INFORMATION

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

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results for the year ended 31 December 2019 as agreed by the Company's auditors 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 developments in the completion of the auditing process.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not yet been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

APPRECIATION

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

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

Hong Kong, 31 March 2020

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

* *for identification purpose only*