2019

Annual Report

AVIC Joy Holdings (HK) Limited

幸福控股（香港）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 260)

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Wu Xiaodong
(Chairman and Chief Executive Officer)
(appointed with effect from 9 January 2020)
Guan Liqun
(Chairman and Chief Executive Officer)
(resigned with effect from 9 January 2020)
Zhang Zhibiao
Wang Ying
Mu Yan
Fu Fangxing
(resigned with effect from 18 January 2019)
Fu Xiao
(resigned with effect from 15 August 2019)

Independence Non-executive Directors

Jiang Ping
Wu Rui
Guo Wei

COMPANY SECRETARY

Ng Yu Ho
(appointed with effect from 1 June 2019)
Cheung Hoi Fun
(resigned with effect from 1 June 2019)

SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
(change of address with effect from 11 July 2019)

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISER AS TO HONG KONG LAWS

Loong & Yeung

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Room A02, 35/F
United Centre
95 Queensway
Hong Kong

WEBSITE

www.avicjoyhk.com

STOCK CODE

260

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of AVIC Joy Holdings (HK) Limited (the "**Company**"), I hereby present the results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Year**").

During the Year, the Group continued to face intense competition in China's market, which, coupled with such factors as changes in policies in the recent years in China and the limited opportunities for growth offered in the market, raised difficulty for the Group's business operations and profitability. The Group continued to push forward the withdrawal strategy of the gas business and completed the sale of the remaining gas business during the Year. At the same time, in order to reduce the financial burden of the Group and develop the Group's current business, the Company has decided to cash out through the disposal of the large properties in Shanghai. The disposal was realized through public bidding on the Shanghai United Assets and Equity Exchange Co., Ltd. ("**SUAEE**") to obtain a fair and better sale price. The proceeds from the disposal will be used to repay some of the Group's interest-bearing debts and for future business development and as general working capital.

The consolidated revenue of the Group decreased from approximately HK$139.8 million for the year ended 31 December 2018 to approximately HK$62.4 million for the Year. Affected by the impairment losses recognized in land development project and the loss on changes in fair value of investment properties, the Group made a loss attributable to the owners of the Company of approximately HK$440.8 million for the Year (2018: approximately HK$517.1 million).

For the Year, the Group strongly developed the finance lease business of its subsidiary 廣東資雨泰融資租賃有限公司 (Guangdong Zi Yu Tai Finance Leasing Company Limited) ("**Zi Yu Tai**"), which recorded a turnover of approximately HK$15.5 million (2018: approximately HK$11.1 million), increased by approximately HK$4.4 million or 39.6% from the previous year. During the Year, Zi Yu Tai signed contracts in respect of finance lease projects with hospitals and institutions in many provinces in China, including 天津市薊州區人民醫院 (Tianjin Jizhou Hospital), Shanghai Runda Medical Technology Co., Ltd. (上海潤達醫療科技股份有限公司), Zhongshan Shixing Decoration Co., Ltd. (中山市時興裝飾有限公司) and 湖北木年華家居有限公司 (Hubei Munianhua Furniture Co., Ltd.). For details, please refer to the announcements of the Company dated 17 April 2019, 27 November 2019 and 29 November 2019, respectively. The performance of this business segment is better than expected. The Group will continue to devote itself to developing relevant finance lease projects with a focus on the finance lease of medical equipment, and sunrise industry equipment such as 5G and Internet Data Center (IDC). Its main customers are domestic public hospitals, high-quality listed companies and private enterprises with good growth momentum.

During the Year, the Group's business in Fuqing City, Fujian Province did not record sales revenue. The development of the PPP Class 1 land 中部濱海新城 (Central New Coastal City) (the "**Project Land**") and the construction of 融港大道 (Ronggang Avenue) (collectively referred to as the "**Project**") involve a total of 3,990 mu of land available to be developed for commercial and residential uses. Due to changes in relevant domestic laws and regulations and changes in the government's attitude towards the Project, the development of the Project is suspended. The Group has been continuously communicating with the local government through litigation and other methods in order to solve the problems faced by the Project as soon as possible. The Group will continue its efforts in the future to promote the restart and development of the Project as soon as possible.

The Group has adjusted its business segments in 2019 according to business needs and will continue to strengthen its management system and optimize its personnel structure, so as to gradually improving the development of the Company's various businesses. Although since the end of 2019, both China's economy and the global economy have been affected by the novel coronavirus pneumonia ("**COVID-19**") outbreak, showing foreseeable economic worries, which caused impact on the Group's domestic business operations, the Group is still optimistic about the development of China's economy. On the basis of continuously promoting the development of Zi Yu Tai's finance lease business, the Group will find ways to solve the operation dilemma of the Project Land in Fujian as soon as possible, actively seek new business growth points to expand new businesses, continuously optimize the Company's business structure, and enhance the profitability of the Group.

Looking into the coming year, the Group will continue to look for ways to improve its efficiency of resources allocation, strengthen its capital structure, and seek potential acquisition and business opportunities to enhance the value enjoyed by the shareholders of the Company (the "**Shareholders**").

Finally, I would also like to extend my appreciation to all the Shareholders, the Board, the management team, employees and stakeholders for their support to the Group during the Year.

Wu Xiaodong
Chairman

Hong Kong
30 March 2020

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the Year, the principal business activities of the Group comprise provision of finance lease and loan services and property investment; the operation of compressed natural gas ("**CNG**") refueling stations; management and operation of light-emitting diode ("**LED**") energy management contracts ("**EMC**") through its investment in a joint venture and provision of the PPP Class 1 land development services in the People's Republic of China (the "**PRC**" or "**China**").

During the Year, the consolidated revenue of the Group amounted to approximately HK$62.4 million (2018: approximately HK$139.8 million), representing a decrease of approximately HK$77.4 million as compared with last year, which was mainly attributable to the decrease in revenue from the gas business segment.

The Group's gross profit for the Year was approximately HK$32.2 million (2018: approximately HK$44.2 million), representing a decrease of 27.1% as compared with last year.

The net loss of the Group was approximately HK$585.0 million during the Year, representing a decrease of approximately HK$111.5 million as compared with the net loss of approximately HK$696.5 million last year. The decrease in net loss was mainly attributable to (i) a total provision of approximately HK$315.2 million in net intangible assets; (ii) a fair value loss of approximately HK$140.8 in the Group's investment properties; and (iii) finance costs of approximately HK$133.0 million during the Year.

OPERATIONAL REVIEW

(1) Gas Business

The Group continued its restructuring plan in gas business since late 2014, and sold the gas company in Chengdu during the Year, plus the gas companies in Shandong and Xuzhou sold in 2018 and the gas businesses sold in previous years, the Group has thus completed the withdrawal from all gas businesses. Since the disposed companies were deconsolidated from the Group, the total revenue of the gas business reduced to HK$46.9 million (2018: approximately HK$128.8 million) during the Year, representing a decline of 63.6% as compared with last year. In 2019, the gas business segment recorded profit of approximately HK$6.8 million (2018: HK$37.4 million).

(2) Finance Lease and Loan Services and Property Investment Business

During the Year, the LED finance lease business is no longer the main direction of the Group's finance lease business development, and the existing LED finance lease projects were all signed in previous years. On the basis of no new project, with the continuous implementation and completion of the old projects, the interest income of LED finance lease contracts decreased.

Although interest income from LED finance lease contracts decreased, with the increase of finance lease projects conducted by the Group with other domestic hospitals and private institutions, the total turnover recorded for the Year increased to approximately HK$15.5 million (2018: approximately HK$11.1 million), representing an increase of 39.6%.

During the Year, the Group has decided to dispose of the commercial properties located in Shanghai. The disposal was realized through public bidding on the SUAEE to attract more potential investors and thus maximize the sale price. In recent years, the market price of Grade-A office buildings in Shanghai's core business district fluctuates sharply, it is estimated that the sale of the properties will record a loss of approximately HK$190.0 million. Although the sale is expected to record a relatively large loss, it can avoid the significant long-term operating burden of continuing to hold the properties. The proceeds from the disposal can also be used to repay some interest-bearing debts of the Group so as to improve the overall asset and liability state of the Group. For details, please refer to the circular of the Company dated 12 December 2019.

(3) PPP Class 1 Land Development Business

No sales revenue was recorded in the Group's business in Fuqing City, Fujian Province (2018: Nil).

During the Year, the loss of this segment decreased to approximately HK$364.5 million (2018: approximately HK$464.5 million), mainly due to the suspension of development of the Project and the impairment of intangible assets.

BUSINESS OUTLOOK

Affected by various unfavorable factors, such as the COVID-19 outbreak, industries around the world have suffered from hidden worries, weakened economic activities, and intensified business competition pressure. It is not easy to identify new business development directions, and it is also challenging to invest in new markets. Looking forward, despite the inevitable challenges and difficulties, the Group still has a positive attitude toward the development of China's economy. In the course of its business development, the Group will adopt a prudent and proactive development policy to continue to develop the existing businesses of the Company under the premise of controlling the business risks, and continue to look for new commercial investment opportunities to expand valuable new businesses.

In recent years, the Group has managed to optimize asset allocation and reduce investment losses through the sale of gas businesses with unsatisfactory development prospects and properties that continue to record losses. During the Year, the Group has disposed of the remaining gas businesses and sold the commercial properties of the Group's subsidiaries to increase liquidity and reduce financial pressure. Looking forward, the Group will continue to optimize and restructure its remaining businesses and continue to look for valuable and suitable investment opportunities. Amid the epidemic, the Group will strongly support the development of the finance lease business of its subsidiary Zi Yu Tai to provide finance lease services for related equipment to Chinese public hospitals, high-quality listed companies and private enterprises with good growth. On the premise of controlling the risks, the Group will focus on sunrise industries and continuously expand the finance lease market. As a result, the Group's business development in this direction is expected to achieve sustainable and positive development continually.

In order to have better control in the development of the Project Land, the Group has completed the reorganization plan, appointed the Group's major operational management to directly monitor the development of the Project and develop business strategies to improve the efficiency of the development of the Project Land. However, due to some disputes between the Group and the local government of Fuqing City, the land development business is still being suspended, making it difficult to restart and develop. The Group's main operational management will continue to communicate with the local government, strive to restart and promote the development of the Project as soon as possible, and take appropriate countermeasures according to the communication and the progress of the Project.

FINANCIAL RESOURCES

As at 31 December 2019, the Group's total debts (including trade payables, other payables and accruals, lease liabilities, loans from joint ventures, interest-bearing bank and other borrowings, loan from related companies, loans from non-controlling shareholders and liabilities classified as disposal group held for sale) amounted to approximately HK$2,813.7 million (2018: approximately HK$2,674.2 million). Cash and bank balances amounted to approximately HK$33.1 million (2018: approximately HK$40.5 million). Net debt amounted to approximately HK$2,780.6 million (2018: approximately HK$2,633.7 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net debt divided by adjusted capital and net debt of approximately HK$2,398.8 million (2018: approximately HK$2,716.4 million), was 115.9% (2018: 97%).

During the Year, the Group was not materially exposed to foreign currency risk.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2018: Nil).

STAFF BENEFITS

As at 31 December 2019, the Group had a total of 41 employees (2018: 131). The staff costs for the Year amounted to approximately HK$15.4 million (2018: approximately HK$28 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits include contribution of statutory mandatory provident fund for the employees, medical scheme and share option schemes. There was no major change to staff remuneration policies during the Year.

HUMAN RESOURCES

Apart from remunerating and promoting staff according to an established mechanism based on individual performance, experience, professional qualification and prevailing market practices, the Group actively encouraged and subsidised staff to participate in job-related study, trainings and seminars as part of the welfare and incentive scheme. This aims to encourage staff to embark on life-long study, and to formulate a feasible plan to their career development, which lays a solid foundation for sound and sustainable development of the Group.

PLEDGE OF ASSETS

As at 31 December 2019, the Group had pledged certain land use rights, properties and finance lease receivables for bank borrowings granted.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENT

On 12 July 2019, the Company, Crystal Concept Investments Limited ("**Crystal Concept**"), Favour King Holdings Limited ("**Favour King**") and Winfield Innovations Group Limited entered into a share transfer agreement, pursuant to which, the Company conditionally agreed to sell and Favour King conditionally agreed to purchase the entire issued share capital of Crystal Concept, at a consideration of RMB35,840,000. The completion of the said share transfer agreement is subject to, among other things, the approval from the Shareholders at a general meeting in respect of the share transfer agreement and the transactions contemplated thereunder. On 12 September 2019, the resolution regarding the said share transfer agreement and the transactions contemplated thereunder was duly passed as an ordinary resolution of the Company at the general meeting of the Company. For details, please refer to the announcements of the Company dated 12 July 2019 and 12 September 2019 and the circular of the Company dated 28 August 2019.

The Group invested in the shares of Peace Map Holding Limited ("**Peace Map**") (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 402)). Such investment was classified as an equity instrument at fair value through other comprehensive income amounting to nil as at 31 December 2019 (31 December 2018: HK$16,622,000). On 10 August 2018, joint provisional liquidators were appointed to Peace Map to perform provisional liquidation. On 1 February 2019, joint liquidators were appointed to Peace Map with a committee of inspection which is composed of 5 members. References are made to the announcements of Peace Map dated 3 July 2018, 10 July 2018, 16 July 2018, 17 July 2018, 27 July 2018, 8 August 2018, 14 August 2018, 26 September 2018, 12 November 2018, 12 February 2019, 20 February 2019, 19 March 2019, 29 March 2019, 8 April 2019, 16 April 2019, 16 May 2019, 19 July 2019, 12 August 2019, 30 August 2019, 8 October 2019, 12 November 2019, 17 January 2020, 7 February 2020, 29 March 2020, 31 March 2020 and 2 April 2020. On 5 November 2019, a resumption proposal (the "**Resumption Proposal**") has been submitted to the Stock Exchange seeking its approval for the resumption of trading in the shares of Peace Map and subsequently on 27 March 2020, Peace Map entered into a sale and purchase agreement with several vendors regarding the proposed acquisition of the entire equity interest in Halaman Mantap QXL Limited by Peace Map in support of the Resumption Proposal. Peace Map received a letter from the Stock Exchange dated 27 March 2020 stating that the Listing Committee of the Stock Exchange decided to cancel the listing of Peace Map (the "**LC Decision**"), and on 2 April 2020, Peace Map submitted a written request to the Secretary of the Listing Review Committee requesting the LC Decision be referred to the Listing Review Committee for review. The Company will make further announcement(s) to inform the Shareholders as and when appropriate.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures or significant investment or updates in relation thereto during the Year.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Very Substantial Disposal – Disposal of a subsidiary

References are made to the announcements of the Company dated 14 November 2019, 31 December 2019 and 11 February 2020, and the circular of the Company dated 12 December 2019 in relation to the proposed disposal of the 100% equity interest in 上海商聚實業有限公司 (Shanghai Shangju Enterprise Co., Ltd.) ("**Shanghai Shangju**"), by way of public tender through an equity exchange.

On 4 February 2020, the Group entered into an equity transaction agreement with Hongshang Industry Holding Group Co., Ltd. (鴻商產業控股集團有限公司) in respect of the disposal of 100% equity interest in Shanghai Shangju and the credit right in the amount of RMB337,000,000 at an aggregate consideration of RMB337,010,000.

Upon completion, Shanghai Shangju will cease to be a subsidiary of the Company and the financial results of Shanghai Shangju and its subsidiaries will no longer be consolidated into the financial statements of the Group. For more details, please refer to the announcement of the Company dated 11 February 2020.

Save as disclosed above, there are no material events affecting the Group after the end of the Year.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wu Xiaodong ("**Mr. Wu**"), aged 46, has been appointed as an executive Director, the chief executive officer and the chairman of the Board with effect from 9 January 2020. Mr. Wu holds a bachelor degree in accounting from Shanxi University of Finance and Economics (山西財經大學) (formerly known as Shanxi College of Finance and Economics (山西財經學院)) and a master degree in accounting from Chinese Academy of Fiscal Sciences (中國財政科學研究院). He has over 20 years of working experience in the fields of finance and corporate finance.

Mr. Wu has been appointed as the chief financial officer of the Company since December 2017. He is also a director of nine subsidiaries of the Company. Mr. Wu is currently the chief accountant of AVIC International Beijing Company Limited (中國航空技術北京有限公司) and was previously the chief accountant of AVIC International Trade & Economic Development Ltd. (中航技國際經貿發展有限公司), deputy chief accountant of Joy Air Holdings Limited (幸福航空控股有限公司) and the deputy department head of the finance department of AVIC International Holding Corporation (中國航空技術國際控股有限公司) ("**AVIC International**").

Mr. Zhang Zhibiao ("**Mr. Zhang**"), aged 46, has been an executive Director since July 2017. Mr. Zhang obtained a master's degree in Business Administration from the Nankai University (南開大學) in the PRC, and a bachelor's degree from Jiangxi University of Finance and Economics (江西財經大學) in the PRC. Mr. Zhang is currently the head of the operations management department of AVIC International. He previously served as the head of the planning and development department, the head of the administrative management department, the deputy head of the strategic development department, the office manager of international aviation business and the deputy office manager of the capital operation office of AVIC International. Prior to joining AVIC International, Mr. Zhang was the president assistant of SouthChina Securities Co., Ltd. (江南証券有限責任公司) (now known as AVIC Securities Co., Ltd. (中航證券有限公司)) and the head of 江南金融研究所 (SouthChina Financial Research Institute). Mr. Zhang has over 23 years of working experience in the areas of management, aviation business, strategic development, industries research, securities, investment and initial public offerings.

Ms. Wang Ying ("**Ms. Wang**"), aged 33, has been an executive Director since July 2017. Ms. Wang obtained a master's degree in Supply Chain Management and Purchasing from the School of Knowledge Economy and Management in France, and the second bachelor's degree in Business Administration from Université de Lille 2 in France, and the first bachelor's degree from Wuhan University (武漢大學) in the PRC. In 2011, Ms. Wang joined AVIC International Holdings Limited (中航國際控股股份有限公司), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 161), a subsidiary of AVIC International, and she was transferred to the strategy and capital department of Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司) ("**AVIC**") from May 2016 to December 2016. She was responsible for planning and review in relation to reorganisation of subsidiaries of AVIC, the securities of which are listed on the securities markets in Hong Kong, the PRC and overseas. Ms. Wang currently works in the assets and capital investment office of AVIC International, and is responsible for planning and review in relation to reorganisation and refinancing of AVIC International's subsidiaries, the securities of which are listed on the securities markets in Hong Kong, the PRC and overseas.

Ms. Mu Yan ("**Ms. Mu**"), aged 41, has been an executive Director since December 2017. Ms. Mu holds a master's degree in economics from University of California, Irvine, the United States and a master's degree in international business and finance from University of Reading, the United Kingdom. She also obtained a bachelor's degree in international finance from Beihang University. Ms. Mu has over 12 years of experience in capital operations and financial management. She is currently the officer of the capital operation office of AVIC International. Ms. Mu is an executive director of Peace Map, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 402). The Company holds 554,080,000 shares, representing 6.8% of the issued share capital of Peace Map.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jiang Ping ("**Mr. Jiang**"), aged 43, has been an independent non-executive Director since December 2017. He is the chairman of the remuneration committee of the Company (the "**Remuneration Committee**"), and a member of each of the audit committee of the Company (the "**Audit Committee**") and the nomination committee of the Company (the "**Nomination Committee**"). Mr. Jiang holds a bachelor's degree in Thermal Engineering from Tsinghua University, and a master's degree in Mechanical Engineering from University of California at Berkley. Mr. Jiang has extensive experiences in private equity investment and company operations. Currently, Mr. Jiang is a founding partner of iVision Ventures, a venture capital fund focused on Artificial Intelligence (AI) investment, responsible for investment, fund raising and management matters including compliance, structuring, and investor relations. Previously he served as an executive director of Flamingo Capital, Enterprise Resource Planning (ERP) Director of Xiaomi Group and product director of Best Logistics.

Ms. Wu Rui ("**Ms. Wu**"), aged 41, has been an independent non-executive Director since December 2017. She is the chairman of the Nomination Committee, and a member of each of the Audit Committee and the Remuneration Committee. Ms. Wu holds a bachelor's degree in International Finance from Peking University's School of Economics, a master's degree in Economics from University of California at Los Angeles and a PhD degree from University of Southern California's Marshall School of Business. Currently, Ms. Wu is an associate professor at Tsinghua University's School of Economics. She has extensive experience in education and research and has published a large number of papers. The area of Ms. Wu's research mainly focuses on the relationship between corporations, corporate governance, non-marketing strategies and start-ups. She previously served as a research assistant in the headquarters of World Bank in the United States.

Mr. Guo Wei ("**Mr. Guo**"), aged 41, has been an independent non-executive Director since December 2017. He is the chairman of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Guo holds a bachelor's degree in management from Beijing University of Technology. He is also a Fellow Chartered Certified Accountant awarded by the Association of Chartered Certified Accountants, United Kingdom. Currently, Mr. Guo is the senior finance manager in the Small and Medium Enterprises ("**SME**") and Channels Development Business Unit, Greater China Region of Microsoft (China) Co. Ltd. He is mainly responsible for the overall financial management of the SME and Channels Development Business Unit. Mr. Guo has 19 years of multinational experience in China, with comprehensive and in-depth understanding of business operations and financial/accounting management in the industries of energy, healthcare and Information Technology (IT).

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of the Company for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 50 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and particulars of important events affecting the Group that have occurred since the end of the financial year 2019 as well as discussion on the future business development, principal risks and uncertainties of the Group are provided in the Chairman's Statement on pages 3, the Business Review – Management Discussion and Analysis on pages 4 to 6, and note 47 to the financial statements of this annual report (the "**Annual Report**" or "**this report**"). An analysis using financial key performance indicators can be found in the Business Review – Management Discussion and Analysis on pages 4 to 6 of the Annual Report. The above sections form part of this report.

In addition, discussions on the Group's environmental policies and performance, compliance with the relevant laws and regulations which have a significant impact on the Group and relationships with its key stakeholders are provided in the paragraphs below.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Stock Exchange introduced Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange which took effect in 2016. We have envisaged and adopted the ESG Reporting Guide in writing of the said report. Please refer to the Environmental, Social and Governance Report on pages 28 to 39 of the Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it during the Year.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees are regarded as the most valuable assets of the Group. The Group believes that the knowledge and expertise of our employees are crucial to the long-term success of the Group. To assist our staff to develop their potential, enhance their job competence and continue the Group's development, the Group actively encouraged and subsidised staff to participate in external job-related courses and seminars.

The Group will strive to maintain a long-term good relationship with all stakeholders such as shareholders, suppliers, business partners and professional bodies in the future development of the Group's business.

RESULTS AND DIVIDEND

The Group's results for the Year and the Group's financial position as at 31 December 2019 are set out in the financial statements on pages 47 to 48 of this report.

The Board does not recommend the payment of a final dividend for the Year (2018: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out on page 143 of this report. This summary does not form part of the audited financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of the movements in the Company's share capital, share options and convertible bonds during the Year are set out in notes 37, 40 and 41 to the financial statements, respectively.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group are set out in note 38 to the financial statements.

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 save as disclosed as follows.

References are made to the announcements of the Company dated 3 November 2016 and 17 November 2016 in relation to the placing of the convertible notes to six individual noteholders in the aggregate principal amount of HK$140,000,000 (the "**Convertible Notes**").

On or prior to 31 December 2018, the Company redeemed from two out of the six noteholders their Convertible Notes in the aggregate principal amount of HK$56,000,000. As at the date hereof, the Company repaid HK$23,520,000 (representing 28% of the outstanding principal amount of HK$84,000,000 of the Convertible Notes) in aggregate to the remaining four noteholders. The Company is currently in the course of negotiating with the remaining four noteholders on the repayment schedule of the outstanding principal amount of the Convertible Notes and accrued interest. Please refer to the Company's announcements dated 31 December 2018 and 27 March 2020 for details.

SHARES ISSUED

As at 31 December 2019, the total number of issued shares of the Company (the "**Shares**") was 5,943,745,741. As compared with the position as at 31 December 2018, no new Shares were issued during the Year.

EQUITY-LINKED AGREEMENTS

The Company currently maintains the share option scheme as disclosed under the section headed "Share Option Scheme" in this report.

Save as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Year or subsisted at the end of the Year.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company had no reserves available for distribution in accordance with the provisions of section 297 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**").

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 28% of the total sales for the Year and sales to the largest customer included therein amounted to 7%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 74%.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

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

Executive Directors:

Wu Xiaodong *(Chairman and Chief Executive Officer) (appointed with effect from 9 January 2020)*
Guan Liqun *(Chairman and Chief Executive Officer) (resigned with effect from 9 January 2020)*
Zhang Zhibiao
Wang Ying
Mu Yan
Fu Fangxing *(resigned with effect from 18 January 2019)*
Fu Xiao *(resigned with effect from 15 August 2019)*

Independent Non-executive Directors:

Jiang Ping
Wu Rui
Guo Wei

A full list of the names of the directors of the Company's subsidiaries can be found on the Company's website at www.avicjoyhk.com under "Corporate Governance".

According to Article 87 of the articles of association (the "**Articles of Association**") of the Company, at each annual general meeting ("**AGM**") of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

In accordance with Article 87 of the Articles of Association, Mr. Wu Xiaodong, Mr. Zhang Zhibao and Mr. Jiang Ping will retire from office by rotation, and being eligible, will offer themselves for re-election at the forthcoming AGM. The terms of office of all Directors (including independent non-executive Directors) are subject to re-appointment or retirement by rotation in accordance with Articles 86(B), 87 and 88 of the Articles of Association.

The Company has received from each of its independent non-executive Directors an annual confirmation of independence and as at the date of this report, the Company still considers them to be independent in accordance with the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 7 to 8 of the Annual Report. Mr. Wu Xiaodong, the chairman of the Board and the chief executive officer of the Company, is the senior management of the Group.

CHANGES IN INFORMATION OF DIRECTORS

Save for changes in the biographical details of the Directors, there was no other change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' emoluments are determined by the Remuneration Committee with reference to Directors' duties, responsibilities, performance, the Company's remuneration policy and the results of the Group pursuant to the power conferred on it at the Company's general meetings.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the Annual Report, none of the Directors or any of their connected entity had, directly or indirectly, a material interest, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party subsisted at any time during the Year or at the end of the Year.

PERMITTED INDEMNITY PROVISION

Subject to the provisions of and so far as may be consistent with the statutes, every Director, secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him/her in the execution and/or discharge of his/her duties and/or the exercise of his/her powers and/or otherwise in relation thereto. Subject to the applicable laws and the Articles of Association, the Company has taken out and maintained Directors' liability insurance, throughout the Year, against the liability and costs associated with legal actions against the Directors arising out of corporate activities, and the level of the coverage is reviewed annually. Such provisions were in force during the course of the Year and remained in force as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in ordinary Shares of the Company:

	Number of Shares held, capacity and nature of interests		
Name of Directors	**Personal interest**	**Total**	**Percentage of the Company's issued Shares**
Guan Liqun *(resigned with effect from 9 January 2020)*	6,170,000	6,170,000	0.10%
Wu Xiaodong *(appointed with effect from 9 January 2020)*	800,000	800,000	0.01%

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executive of the Company had interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

At the AGM held on 25 June 2015, the Company adopted a share option scheme (the "**Share Option Scheme**"), following the Company's share option scheme having expired on 14 April 2015 (the "**Expired Share Option Scheme**"), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's business development and growth and to enable the Group to recruit high-calibre employees and attract or retain human resources valuable to the Group. The Expired Share Option Scheme was valid and effective for a period of 10 years from the date of its adoption. Further details of the Share Option Scheme are disclosed in note 41 to the financial statements.

Movements in the Company's outstanding share options granted under the Expired Share Option Scheme, which shall continue to be valid and exercisable, during the Year were as follows:

Name or category of participant	At 1 January 2019	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	At 31 December 2019	Date of grant[1]	Exercise period	Exercise price per share[2] HK$
Consultants									
In aggregate	120,000,000	–	–	–	–	120,000,000	31-8-10	31-8-10 to 30-8-20	0.227
Other employees									
In aggregate	86,250,000	–	–	–	–	86,250,000	31-8-10	31-8-10 to 30-8-20	0.227
	206,250,000	–	–	–	–	206,250,000			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate at any time during the Year or at the end of the Year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the interests and short positions of the substantial Shareholders and other persons, other than the Directors or the chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Notes	Long/short position	Capacity and nature of interest	Number of ordinary Shares held	Percentage of the Company's issued Shares
Billirich Investment Limited ("**Billirich**")	(a)	Long	Beneficial owner	1,031,595,000	17.36%
AVIC International Holding (HK) Limited ("**AVIC Int'l (HK)**")	(a)	Long	Interest of controlled corporation	1,031,595,000	17.36%
Tacko International Limited	(a)	Long	Interest of controlled corporation	1,031,595,000	17.36%
AVIC International (HK) Group Limited	(a)	Long	Beneficial owner and interest of controlled corporation	1,535,618,891	25.84%
AVIC Joy Air Holdings Limited	(b)	Long	Beneficial owner	60,810,000	1.02%
AVIC Joy Air (HK) Group Limited	(b)	Long	Interest of controlled corporation	60,810,000	1.02%
AVIC Joy Air Co., Ltd.	(b)	Long	Interest of controlled corporation	60,810,000	1.02%
AVIC International Holding Corporation	(a), (b)	Long	Interest of controlled corporation	1,596,428,891	26.86%
Aviation Industry Corporation of China, Ltd. ("**AVIC**")	(a), (b)	Long	Interest of controlled corporation	1,596,428,891	26.86%
Grand Win Overseas Ltd. ("**Grand Win**")	(c)	Long	Beneficial owner	313,965,000	5.28%
Sun Shining Investment Corp.	(c)	Long	Interest of controlled corporation	313,965,000	5.28%
Tai Yuen Textile Company Ltd.	(c)	Long	Interest of controlled corporation	313,965,000	5.28%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

(a) Billirich is a wholly-owned subsidiary of AVIC Int'l (HK). AVIC International (HK) Group Limited, together with its wholly-owned subsidiary of Tacko International Limited, hold in aggregate approximately 46.40% of the issued share capital of AVIC Int'l (HK). Tacko International Limited is a wholly-owned subsidiary of AVIC International (HK) Group Limited, which in turn is a wholly-owned subsidiary of AVIC International Holding Corporation. AVIC International Holding Corporation is a 91.13% owned subsidiary of AVIC. Accordingly, all these corporations are deemed to be interested in the Shares held by Billirich.

(b) AVIC Joy Air Holdings Limited is a wholly-owned subsidiary of AVIC Joy Air (HK) Group Limited, which in turn is a wholly-owned subsidiary of AVIC Joy Air Co., Ltd. AVIC Joy Air Co., Ltd. is owned as to approximately 57.14% by AVIC and as to approximately 42.86% by AVIC International Holding Corporation, which is a 91.13% owned subsidiary of AVIC. Accordingly, all these corporations are deemed to be interested in the Shares held by AVIC Joy Air Holdings Limited.

(c) Grand Win is a wholly-owned subsidiary of Sun Shining Investment Corp. Tai Yuen Textile Company Ltd. beneficially owns 82.85% equity interest in Sun Shining Investment Corp. and therefore, these corporations are deemed to be interested in the Shares held by Grand Win.

Save as disclosed above, as at 31 December 2019, so far as known to any Director or the chief executive of the Company, no substantial Shareholders or other persons, other than the Directors or the chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in Shares and underlying shares" above, had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued Shares were held by the public as at the date of this report.

CONNECTED TRANSACTION

During the Year, the Group did not enter any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

The Directors consider that all the related party transactions disclosed in note 45 to the financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, annual review, announcement, or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Year.

AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, will offer itself for re-appointment as the auditor of the Company. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Wang Ying
Executive Director

Hong Kong
30 March 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to pursuing strict and high standards of corporate governance since the Board believes that good corporate governance practices are essential to achieving the Group's objectives of enhancing corporate value as well as safeguarding the interests of the Shareholders.

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the Year, save and except as disclosed hereunder:

(i) code provision A.2.1 of the CG Code stipulates that the roles of the chairman of the Board and the chief executive officer of the Company should be served by different individuals to achieve a balance of authority and power. Prior to the resignation of Mr. Guan Liaqun with effect from 9 January 2020, he was an executive Director, the chief executive officer and the chairman of the Board. Mr. Wu Xiaodong has been appointed as an executive Director, the chief executive officer and the chairman of the Board with effect from 9 January 2020. The chairman of the Board is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. The chief executive officer of the Company is responsible for day-to-day management of the Group's business.

The Board considers that the deviation from code provision A.2.1 of the CG Code of the Company will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to separate the role of chief executive officer and chairman of the board. Appointment will be made to comply with code provision A.2.1 of the CG Code if necessary;

(ii) code provision A.4.1 of the CG Code stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term. The non-executive Directors were appointed without specific terms, but they are subject to retirement by rotation and being eligible for re-election at least once every three years in accordance with Articles of Association; and

(iii) code provision D.1.4 of the CG Code stipulates that listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles of Association. Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions of the Company by Directors and relevant employees of the Group who, because of their office or employment, are likely to be in possession of unpublished inside information in relation to the Company's securities. The Directors and such relevant employees are required to strictly comply with the Model Code when dealing in the securities of the Company. Following specific enquiry made by the Company, all the Directors and such relevant employees confirmed that they had complied with the required standards as set out in the Model Code during the Year.

BOARD OF DIRECTORS

Board Composition

As at the date of this report, the Board comprised seven Directors, with four executive Directors (the "**Executive Directors**") and three independent non-executive Directors ("**INEDs**"). The Directors during the Year and up to the date of this report are set out as follows:

Executive Directors:	WU Xiaodong *(Chairman and Chief Executive Officer)* *(appointed with effect from 9 January 2020)* Guan Liqun *(Chairman and Chief Executive Officer)* *(resigned with effect from 9 January 2020)* Zhang Zhibiao Wang Ying Mu Yan Fu Fangxing *(resigned with effect from 18 January 2019)* Fu Xiao *(resigned with effect from 15 August 2019)*
INEDs:	Jiang Ping Wu Rui Guo Wei

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors" on pages 7 to 8 of the Annual Report. The Directors have no financial, business, family or other material/relevant relationships with each other.

Duties of the Board

The main responsibilities of the Board include determining overall strategic planning, policy formulation, business and investment plans, risk management and internal control systems and reviewing the effectiveness of such systems, monitoring financial and project budget, and developing, reviewing and monitoring corporate governance policies and matters.

Corporate Governance Functions and Duties

The Board is responsible for performing the corporate governance functions with the following duties:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations on any changes and updating to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in this report.

During the Year, the corporate governance duties performed by the Board were summarised as follows:

(a) reviewed the Company's corporate governance policies and practices;

(b) reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

(c) reviewed the Company's compliance with the CG Code and disclosure in this report;

(d) reviewed the training and continuous professional development of the Directors and senior management of the Company; and

(e) reviewed the code of conduct and compliance manual applicable to employees of the Group and the Directors.

Management Functions

Implementation of the decisions and plans of the Board and direction of the day-to-day operation are delegated to the management. The respective functions of the Board and the management of the Company have been formalised and will be reviewed by the Board from time to time to ensure that they are consistent with the existing rules and regulations. All members of the Board are provided with monthly updates giving a balanced and understandable assessment of the performance, position and prospect of the Group.

Board Meetings

The Board meets regularly to discuss the overall strategy of the Group and to review and approve the Group's annual and interim results and other matters which need to be dealt with. At least 14 days' notice of all regular Board meetings is normally given to all Directors, and all Directors are given the opportunity to include matters for discussion in the agenda. The company secretary of the Company (the "**Company Secretary**") assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least three days before the intended date of each regular Board meeting or Board committee meeting. The Company Secretary is responsible for keeping minutes of the Board and Board committee meetings.

Board Meetings (continued)

During the Year, seven Board meetings were held and the attendance records of each Director at the Board meetings, Board committee meetings and general meetings are set out below:

	Number of meetings attended/held				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Guan Liqun *(resigned with effect from 9 January 2020)*	7/7				3/3
Mr. Zhang Zhibiao	7/7				0/3
Ms. Wang Ying	7/7				1/3
Ms. Mu Yan	7/7				0/3
Mr. Fu Fangxing *(resigned with effect from 18 January 2019)*	0/7				0/3
Ms. Fu Xiao *(resigned with effect from 15 August 2019)*	4/7				0/3
INEDs					
Mr. Jiang Ping	7/7	2/2	1/1	1/1	0/3
Ms. Wu Rui	7/7	2/2	1/1	1/1	0/3
Mr. Guo Wei	7/7	2/2	1/1	1/1	0/3

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by the Board at a duly convened Board meeting.

Every Director is entitled to have access to Board papers and related materials, and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's management. Where queries are raised by Directors, prompt and full responses will be given if possible. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. Each Director has the liberty to seek independent professional advice at the Company's expense if so reasonably required. The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Company reviews the extent of such insurance every year.

INEDs

As of 31 December 2019 and up to the date of this report, the number of Directors was seven, of which three Directors were INEDs, representing more than one-third of the Board.

The Board has received from each INED an annual confirmation of independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Continuous Professional Development

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, all Directors have participated in continuous professional development by attending seminars or programs or studying relevant materials on the topics related to corporate governance and regulations.

Continuous Professional Development (continued)

The individual training record of each Director received for the Year is summarised as follows:

Name of Directors	**Participation in Continuous Professional Development Activities** Attending trainings/ briefings/seminars/ conference	Reading regulatory updates
Executive Directors		
Mr. Guan Liqun *(resigned with effect from 9 January 2020)*	√	√
Mr. Zhang Zhibiao	√	√
Ms. Wang Ying	√	√
Ms. Mu Yan	√	√
Mr. Fu Fangxing *(resigned with effect from 18 January 2019)*	√	√
Ms. Fu Xiao *(resigned with effect from 15 August 2019)*	√	√
INEDs		
Mr. Jiang Ping	√	√
Ms. Wu Rui	√	√
Mr. Guo Wei	√	√

Appointment and Re-election of Directors

During the Year, the non-executive Directors provided the Group with a wide range of expertise and experience as well as checks and balance in achieving agreed corporate goals and objectives and monitoring performance reporting by their participation in the Board and Board committee meetings with independent judgment on issues relating to the Group's strategy, policy, performance, accountability, resources, key appointments and management process.

The Company did not have formal letters of appointment for Directors. Directors shall be subject to retirement by rotation and eligible for re-election at least once every three years pursuant to the Articles of Association. Moreover, Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

In accordance with the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Every retiring Director shall be eligible for re-election. As such, no Director has a term of appointment longer than three years.

Further, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting whilst for those appointed as an addition to the Board shall hold office until the next following AGM and in both cases, those Directors shall then be eligible for re-election at the relevant general meeting.

Every newly appointed Director will receive an induction pack from the legal advisor of the Company on the first occasion of his/her appointment. This induction pack is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director pursuant to the Companies Ordinance, the Listing Rules and the SFO. Directors will be continuously updated on any major developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman of the Board and the chief executive officer of the Company should be served by different individuals to achieve a balance of authority and power. Prior to the resignation of Mr. Guan Liqun with effect from 9 January 2020, he was an executive Director, the chief executive officer and the chairman of the Board. Mr. Wu Xiaodong has been appointed as an executive Director, the chief executive officer and the chairman of the Board with effect from 9 January 2020. The chairman of the Board is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. The chief executive officer of the Company is responsible for day-to-day management of the Group's business.

The Board considers that the deviation from code provision A.2.1 of the CG Code will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to separate the roles of chief executive officer and chairman of the Board. Appointment will be made to comply with code provision A.2.1 of the CG Code if necessary.

BOARD COMMITTEES

The Company has established three Board committees (the "**Board Committees**"), namely the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which has its specific written terms of reference, to assist the Board Committees in discharging their duties and responsibilities. Minutes of all meetings and resolutions of the Board Committees, which are kept by the Company Secretary, are circulated to all the Board Committees' members and the Board Committees are required to report back to the Board on their decisions and recommendations, where appropriate. The Board Committees are provided with sufficient resources to perform their duties and have access to independent professional advice at the Company's expense if so reasonably requested.

Audit Committee

In order to comply with the CG Code, the Board revised the terms of reference of the Audit Committee on 31 December 2018. During the Year, the Audit Committee comprised three INEDs, namely, Mr. Guo Wei (chairman of the Audit Committee), Mr. Jiang Ping, and Ms. Wu Rui. During the Year, the number of members of the Audit Committee is three, the Company has complied with Rule 3.21 of the Listing Rules. The Audit Committee is chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee shall meet at least twice a year. During the Year, two meetings of the Audit Committee were held and attended by the external auditors of the Company. The attendance of the members was set out in the sub-section headed "Board Meetings" of this report.

The primary duties of the Audit Committee include acting as the key representative body for overseeing the relationship with the external auditors; reviewing and monitoring the effectiveness of the audit process; reviewing the Group's financial information; and overseeing the Group's financial reporting system and risk management and internal control systems. The latest terms of reference of the Audit Committee can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

Audit Committee (continued)

During the Year, the Audit Committee has reviewed and discussed the financial reporting matters, including:

(i) reviewed and recommended for the Board's approval the interim and annual results, the interim report and annual report and other financial statements;

(ii) considered and discussed the reports and presentations from the external auditors and the senior management, respectively, with particular focus on the appropriateness of accounting policies and practices, areas of judgment, compliance with the Hong Kong Financial Reporting Standards and other legal requirements in relation to financial reporting;

(iii) recommended to the Board on the appointment and re-appointment of the external auditors and the relevant terms of engagement, including their remuneration;

(iv) reviewed the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function for the Year which covered financial, operational and compliance controls. The process used in such review included discussions with the management of the Company on the risk areas identified and the review of findings and reports from an independent professional advisor. The Audit Committee reviewed and concurred with the management's confirmation that the Group's risk management and internal control systems were effective and adequate for the Year; and

(v) reviewed and was satisfied with the adequacy of the resources, staff qualification and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions.

Remuneration Committee

During the Year, the Remuneration Committee comprised three members, namely, Mr. Jiang Ping (chairman of the Remuneration Committee), Mr. Guo Wei and Ms. Wu Rui.

The Remuneration Committee shall meet at least once a year. During the Year, one meeting of the Remuneration Committee was held and the attendance of the members was set out in the sub-section headed "Board Meetings" of this report.

Details of the Directors' emoluments and remuneration payable to members of senior management by band are set out in note 13 to the financial statements. The Remuneration Committee adopted the model "to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management".

The primary duties of the Remuneration Committee include to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration, to review and approve the management's remuneration proposal with reference to the Company's corporate goals and objectives, to determine the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payment comprising any compensation payable for loss or termination of their office or appointment, to make recommendations to the Board on the remuneration of non-executive Directors. The latest terms of reference of the Remuneration Committee can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

During the Year, the Remuneration Committee reviewed and recommended to the Board on the existing policies and structure of the remuneration of the Directors and senior management of the Group; reviewed and approved the remuneration packages of the Directors and senior management of the Group with reference to the Company's complexity and its size as well as individual performances; and reviewed and made recommendation to the Board on the remuneration of INEDs.

Nomination Committee

In order to comply with the CG Code, the Board revised the terms of reference of the Nomination Committee on 31 December 2018. During the Year, the Nomination Committee comprised three members, namely, Ms. Wu Rui (chairman of the Nomination Committee), Mr. Jiang Ping and Mr. Guo Wei.

The Nomination Committee shall meet at least once a year. During the Year, one meeting of the Nomination Committee was held and the attendance of the members was set out in the sub-section headed "Board Meetings" of this report.

The primary duties of the Nomination Committee include to review the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board at least annually, to identify, screen and recommend to the Board appropriate individuals to serve as Directors, to assess the independence of INEDs, to make recommendations to the Board on the appointment or re-appointment of Directors, to review the Board diversity policy and to monitor its implementation, to review the time commitment required of Directors and evaluate whether Directors have committed adequate time to discharge their liabilities, and to review and implement the nomination policy at least once a year. The latest terms of reference of the Nomination Committee can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

During the Year, the Nomination Committee has reviewed the structure, size, composition and diversity of the Board including the skills, knowledge and experience of the Directors, made recommendations to the Board on the re-election of retiring Directors, assessed the independence of INEDs and reviewed the Board diversity policy.

In designing the Board's composition, the Nomination Committee would consider the Board diversity from a number of factors, including but not limited to gender, age, cultural background and ethnicity, educational background, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on the Company's business model and specific needs from time to time. Directors' appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard to the benefits of diversity on the Board.

Dividend Policy

The Board has adopted a dividend policy (the "**Dividend Policy**") on 31 December 2018 in recommending dividends, to allow the Shareholders to participate in the Company's profits and enable the Company to retain adequate reserves for future growth. The Dividend Policy allows the Company to declare special dividends from time to time in addition to interim and/or final dividends.

The proposed dividend payout shall be determined with reference to the general financial condition of the Group, the Group's actual and future operations and liquidity position, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios and the debt level, retained earnings and distributable reserves of the Company and each of the members of the Group, any restrictions on payment of dividends that may be imposed by the Group's lenders, general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company, the Shareholders' and investors' expectation and industry's norm and any other factors that the Board deems appropriate.

Nomination Policy

The Board has adopted a nomination policy on 31 December 2018 in relation to the nomination, appointment, re-appointment of Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and/or Board Committee(s) of the Company, any potential contributions the candidate can bring to the Board and such other perspectives that are appropriate to the Company's business.

Board Diversity Policy

The Board revised the Board diversity policy on 31 December 2018 in relation to the nomination and appointment of new Directors, which provides that the selection of Board candidates shall be based on a range of diversified perspectives with reference to gender, age, cultural and educational background, professional qualifications and experience, skills, knowledge, industry and regional experience and length of service.

The above measurements were also adopted when the Nomination Committee reviewed the composition of the Board. After assessing the suitability of the Directors' skills and experience to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the state of affairs of the Group in accordance with the relevant statutory requirements and applicable accounting standards. The financial statements are prepared on a going concern basis and the Directors are not aware of any material uncertainties or events which may have a significant impact on the Company's ability to operate as a going concern.

The responsibilities of the auditors with respect to the financial statements are set out in the Independent Auditor's Report annexing in the Annual Report.

The Company has published its annual and interim results, in accordance with the requirements of the Listing Rules and other relevant regulations, in a timely manner within three months and two months respectively after the end of the relevant periods.

Risk Management and Internal Control

The Board is directly responsible for the risk management and internal control systems of the Group and reviewing their effectiveness. The systems are designed for the Group to identify and manage the significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Board conducts reviews of the effectiveness of those systems at least annually through the Audit Committee that covers all material controls in financial, operational and compliance.

The Board has adopted a risk management policy in providing directions in identifying, evaluating and managing significant risks. Pursuant to such policy, the management of the Company can identify risks that might adversely affect the achievement of the Group's objectives, and assess and prioritize the identified risks, risk mitigation plans will then be established to respond to the those risks considered to be significant.

An independent professional advisor, Crowe (HK) Risk Advisory Limited has been engaged to assist the Board and the Audit Committee to assess the risk management and internal control systems of the Group and perform the internal audit functions for the Group. From which, deficiencies in the design and implementation of internal controls will be identified and recommendations will be proposed for improvement. Such report will be submitted to the Audit Committee and the Board at least once a year.

Risk Management and Internal Control (continued)

The Board through the Audit Committee conducted an annual review and assessment on the effectiveness of the Group's risk management and internal control systems in its financial, operational and compliance controls and risk management functions, including but not limited to the Group's ability to respond to changes in its business and external environment in terms of significant risks; the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and results of internal audit work; the extent and frequency of communication of monitoring results to the Board in relation to result of risk and internal control review; significant control failing or weakness having been identified and their related implications; and status of compliance with the Listing Rules. The Board is of the opinion that the Group's risk management and internal control systems were adequate and effective during the Year.

The Board through the Audit Committee had reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions as well as the qualifications and experience of the outsourced internal auditors.

The Company has formulated the inside information policy and that is reviewed at least once a year to ensure its update with the latest regulatory requirements. Pursuant to such policy, the Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. The Group ensures that such information is kept strictly confidential before it is fully disclosed to the public.

Auditors' Remuneration

Deloitte Touche Tohmatsu has been appointed as the Company's auditor with effect from 16 November 2018. During the Year, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered for the Group	**HK$'000**
Audit services	1,100
Non-audit services *(including review of interim results and transactions) (if any)*	1,649
	2,749

COMPANY SECRETARY

The Company engages external service providers to provide company secretarial services and has appointed Mr. Ng Yu Ho ("**Mr. Ng**") as the Company Secretary with effect from 1 June 2019. Mr. Ng is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and fulfilled the requirements under Rule 3.28 of the Listing Rules. He undertook not less than 15 hours of relevant professional training during the Year as required under Rule 3.29 of the Listing Rules. The Company Secretary provided advices to the Board to ensure that the Board procedures and all applicable laws are followed. Mr. Ng is not an employee of the Group and Mr. Guan Liqun, the former Chairman of the Board and Mr. Wu Xiaodong, the Chairman of the Board, is the person whom Mr. Ng can contact for the purpose of code provision F.1.1 of the CG Code.

COMMUNICATION WITH THE SHAREHOLDERS

The Board recognises the importance of good communication with the Shareholders. Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information and news are also made available on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and any other committees (as appropriate) to attend the AGM. In their absence, he should invite another member of the committee or, failing this, his/her duly appointed delegate, to attend. These persons should be available to answer questions at the AGM.

COMMUNICATION WITH THE SHAREHOLDERS (continued)

During the Year, due to other business engagements at the relevant time, the chairman of the Audit Committee and the Remuneration Committee did not attend the AGM of the Company held on 30 May 2019.

Separate resolutions are proposed at the general meeting for each substantial issue, including the re-election of retiring Directors.

The notice to the Shareholders is to be sent at least 20 clear business days before an AGM and at least 10 clear business days before a meeting other than an AGM. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The chairman of the general meeting answers questions from the Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Shareholders' Right to Convene General Meeting

Pursuant to section 566 of the Companies Ordinance, the Shareholders representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings as at the date of deposit of the requisition can deposit a written request to convene an a general meeting (the "**GM**") at the registered office of the Company (the "**Registered Office**") for the attention of the Company Secretary (the "**Requisition**").

Such Requisition must state the general nature of the business to be dealt with at the GM and must be authenticated by the person or persons making it.

If the Directors do not within 21 days from the date of the deposit of the Requisition proceed duly to convene a GM to be held on a date not more than 28 days after the date of the notice convening the GM, the Shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a GM in the same manner, as nearly as possible, as that in which the GM is required to be called by the Directors, provided it is held within three months of the date of the deposit of the Requisition.

Shareholders' Right to Put Enquiries to the Board

The Board has established a shareholders' communication policy and reviews it at least once a year. Shareholders should direct any questions about their shareholdings to the Company's share registrar, Tricor Tengis Limited.

Shareholders may make reasonable requests to the Company for information regarding the Company which has been made publicly available. Such requests should be directed to the Company Secretary at the Registered Office.

If a Shareholder wishes to make an enquiry of the Board (the "**Enquiry**"), the Enquiry must be served at the Registered Office for the attention of the Board and set out in writing, stating the nature of the Enquiry, and the reason for making the Enquiry.

Shareholders' Right to Put Forward Proposals at General Meetings

The Companies Ordinance provides that, a company must give notice of a resolution if it has received requests to do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the AGM to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the AGM to which the requests relate.

The Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the AGM to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. All requests shall be sent to the Registered Office for the attention of the Company Secretary.

CONSTITUTIONAL DOCUMENTS

The Articles of Association (in both English and Chinese) is available on the websites of the Stock Exchange and the Company. During the Year, there has been no change to the Articles of Association.

I. ABOUT THIS REPORT

The board of directors (the "**Board**") of AVIC Joy Holdings (HK) Limited (the "**Company**") is pleased to present this Environmental, Social and Governance (hereinafter called "**ESG**") Report (the "**Report**") of the Company and its subsidiaries (collectively as the "**Group**" or "**We**"). This ESG Report summarizes the policies, sustainability strategies, management approach, initiatives and performance made by the Group in the environmental and social aspects of its business.

The ESG Report covers the Group's businesses including gas business, provision of finance lease, loan services and property investment for the year ended 31 December 2019 (the "**Reporting Period**"). The Report discloses the required information under the "**comply or explain**" provisions of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEX**"). The relevant provisions and details are listed out at the end of the Report.

The Board is responsible for the Group's ESG strategy formulation and reporting, evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management measures and internal control systems are in place. In order to determine the ESG reporting scopes, the key management personnel has discussed internally and identified the environmental, social and operating items; and assessed their importance to the stakeholders and the Group. The summary of material ESG items are listed out per Section III in the Report.

II. STAKEHOLDER'S ENGAGEMENT

The Group is committed to maintaining the sustainable development of its business and the environmental protection of the communities in which it operates. We maintain a close tie with our stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, suppliers, community, etc. and strive to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. We assess and determine our environmental, social and governance risks, and ensure that the relevant risk management measures and internal control systems are operating effectively. The following table shows the management response to the stakeholders' expectations and concerns:

Stakeholder	Expectation and Concern	Management Response
Government/ regulatory organizations	➢ Compliance in laws and regulations ➢ Timely and accurate announcements	➢ Pay tax on time; observe and comply with laws and regulations ➢ Establish comprehensive and effective internal control system
Shareholders/investors	➢ Interest protection ➢ Business strategies and performance ➢ Corporate governance system	➢ Ensure satisfactory financial performance, business growth and a strong competitive position within the industry ➢ Set up comprehensive business strategic plan for achieving business goals and objectives ➢ Management possesses relevant experience and professional knowledge in business sustainability
Employees	➢ Compensation and welfare ➢ Career development ➢ Health and workplace safety	➢ Establish fair, reasonable and competitive remuneration scheme ➢ Provide equal opportunities in promotion, training and career development ➢ Pay attention to occupational health and workplace safety
Customers	➢ High quality products and services ➢ Corporate reputation ➢ Reasonable price	➢ Provide high quality products and services continuously in order to maintain customer satisfaction ➢ Establish after-sales services to satisfy customers' needs ➢ Provide variety of value-added services
Suppliers	➢ Integrity ➢ Good relationship with the Company ➢ Stable demand	➢ Ensure fulfillment of contractual obligations ➢ Maintain strong and long-term relationship with high-quality suppliers ➢ Provide effective communication channels
Communities	➢ Social responsibility ➢ Environmental protection ➢ Corporate reputation	➢ Focus on community investment and contribution ➢ Encourage employees to actively participate in charitable activities and voluntary services ➢ Maintain good and stable financial performance and business growth

III. MATERIALITY MATRIX

During the Reporting Period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction are in line with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are presented in the following materiality matrix:

Materiality Matrix

Importance to Stakeholders	Low (Importance to the Group)	Medium (Importance to the Group)	High (Importance to the Group)
High	◆ Anti-discrimination measures ➢ Suppliers management	◆ Staff training and promotion opportunity ➢ Operational compliance	➢ Customers' satisfaction ◆ Talent management
Medium	➢ Community contribution ◆ Preventive measures for child and forced labour ◆ Protecting labour rights	✧ Greenhouse gas emissions ✧ Use of resources ✧ Water resources utilization	◆ Staff compensation and welfare ✧ Exhaust air emissions ◆ Occupational health and workplace safety
Low	✧ Sewage discharge ✧ Generation of hazardous wastes	✧ Energy conservation measures ✧ Generation of non-hazardous wastes	➢ Anti-corruption measures ➢ Protecting clients' privacy measures

Importance to the Group

✧ Environmental ◆ Employee ➢ Operation

IV. ENVIRONMENTAL PROTECTION

The Group has recognized the importance of implementing on effective environmental management system and is committed to protecting and conserving the environment and natural resources. We strive to continuously improve our environmental performance for the purpose of alleviating some of the environmental pressures and supporting the sustainable development goals. In response to the global environmental protection trends, the Group implements the environmental protection policies to promote energy conservation, reduce emission of pollutants and to mitigate environmental risks, including compliance of the applicable local laws and regulations, ensuring efficient use of energy, water and other resources during operations, raising staff's awareness in environmental protection, and focusing on environmental policies monitoring.

IV. ENVIRONMENTAL PROTECTION (continued)

1. Management of Emissions

The Group has disposed of their gas businesses before November 2019. Before the disposal, we did not involve in the exploration of gas and therefore, no air emissions and hazardous wastes were produced. Apart from gas business, the Group also engaged in other businesses, including provision of finance lease and loan services and property investment, and provision of land development services. As the Group mainly operates these businesses in office setting, the major environmental impacts from operation are the greenhouse gas and air emissions generated from consuming electricity in office and gas station; and fuel consumption of office vehicles. The Group focuses on carrying out various energy saving measures to minimize the impact on the environment resulted from emissions. The Group does not produce any hazardous waste and air pollutants in the course of its business and the impact of waste water discharges to the environment is not significant.

2. Management of Use of Resources

The Group carefully manages the use of resources and is committed to ensuring that all resources are used in an efficient and prudent manner. We continually seek to identify and reduce environmental impacts attributable to our operational activities, strive to raise our employees' awareness of resources conservation. Our employees are encouraged to make full and effective use of resources, and to avoid wastage.

Energy Conservation

The Group consumes electricity mainly in its offices. We have implemented a number of measures to save electricity and to improve the energy efficiency of electrical appliances, and to encourage employees to change their habits in using electrical appliances. For example, promoting the use of energy-efficient lighting; encouraging our employees to switch off air conditioners, computers, personal electronic devices, light and common office equipment when they are idle; and keeping all electronic appliances well-maintained to ensure electricity is used effectively. Motion sensors are also installed to turn lights off when there is no one in the office.

During the Reporting Period, the Group's business consumed approximately 570.87 megawatt hours of electricity, which decreased by approximately 70% compared to 2018. The reason was due to the substantial reduction of business level and disposal of gas business during the Reporting Period. Large proportion of electricity was consumed in gas business. Disposal of which led to a significant drop of the overall electricity consumption of the Group.

For fuel consumption, the Group has formulated "Measures for Management of Vehicle" to manage the daily use of vehicles. User departments have to complete the "Application Form for Use of Vehicles" and obtain prior approval before using the vehicles. The Group consumed 5,586.12 liters of gasoline and had no vehicle using diesel during the Reporting Period. The significant drop in fuel consumption when compared to 2018 was also due to the disposal of gas business during the Reporting Period.

	Unit	2019	2018
Electricity:			
Consumption	Megawatt hours	570.87	1,855.70
Intensity	(per employee)	5.71	5.13
Gasoline:			
Consumption	Liters	5,586.12	17,451.43
Intensity	(per employee)	55.86	48.21
Diesel:			
Consumption	Liters	–	117.94
Intensity	(per employee)	–	0.33

IV. ENVIRONMENTAL PROTECTION (continued)

2. Management of Use of Resources (continued)

Energy Conservation (continued)

Greenhouse gas emissions are calculated follows the guidelines of the Greenhouse Gas Protocol and the regional emission factors. The greenhouse gas emission is divided into two scopes. Scope 1 refers to the Group's business direct greenhouse gas emissions, including combustion of gasoline and diesel while scope 2 refers to the Group's business indirect greenhouse gas emissions, including consumption of purchased electricity. During the Reporting Period, scope 1 and scope 2 of greenhouse gas emissions were 12.78 tonnes and 513.58 tonnes of CO_2 equivalent emissions respectively. Disposal of gas business is the main reason causing the drop of CO_2 equivalent emissions. As the group has gradually reduced the business level of gas business, the number of employees also reduced in the Reporting Period and led to an increase of the overall intensity of CO_2 equivalent emissions from 4.48 tonnes to 5.26 tonnes (per employee).

	Unit	**2019**	**2018**
Greenhouse gas emission:			
Scope 1:			
Emission	Tonnes	12.78	40.24
Scope 2:			
Emission	Tonnes	513.58	1,580.48
Total	Tonnes	526.36	1,620.72
Intensity	(per employee)	5.26	4.48

Water Conservation

We have taken various measures to educate our employees to save water in daily life so as to raise their awareness and staffs are encouraged to incorporate water-smart actions in everyday life; for example, remind employees to cherish water, drinking water cannot be used for other purposes; control water flow when washing hands and turn the faucet off after use, etc.; all departments and office administration needs to regularly check the water facilities, pipelines, faucets, etc. within their operating area to eliminate the long flowing water from occurring; immediately inform the maintenance department to carry out repairs when pipeline or valve damage or water leakage is found. During the Reporting Period, the Group has consumed 2,391.03 tonnes of water which dropped significantly compared to 2018 (see the table below). Gas business consumes heavily on electricity, and water resources, substantial reduction of business level and disposal of the gas business during the Reporting Period led to a significant drop of the overall water consumption of the Group.

	Unit	**2019**	**2018**
Water:			
Consumption	Tonnes	2,391.03	18,336.35
Intensity	(per employee)	23.91	53.46

IV. ENVIRONMENTAL PROTECTION (continued)

2. Management of Use of Resources (continued)

Paper Conservation

The Group promotes the "green office" policy by encouraging our staff to save paper and avoid wastage. We distribute information and documents in electronic format to minimize photocopying and printing. We also encourage our staff to print on both sides of each paper and to reuse single-sided used paper. For the type of paper usage, the Group has used papers certified by Forest Stewardship Council (the "**FSC-Certified Paper**") for printing financial reports since 2015. FSC-Certified Paper is made from forests managed in an environmentally appropriate, socially beneficial and economically viable manner. During the Reporting Period, the Group's business consumed approximately 224 kilograms of paper which decreased by around 20% compared to 2018. Compared with the drop in electricity, fuel and water consumptions, the charge in business composition did not bring any significant decrease in paper consumption due to paper are mainly used in office.

	Unit	2019	2018
Paper:			
Consumption	kilograms	224	279
Intensity	(per employee)	2.24	0.77

Compliance

During the Reporting Period, there was no confirmed non-compliance incident relating to environmental protection that have significant impact on the Group.

3. The Environment and Natural Resources

The Group has always been focusing on environmental protection and envisions that everyone can work together to build a better environment for living. In order to enhance our employees' understanding of the adverse impact of our habit and business activities on the environment, we continue to adopt various policies, measures, and actions in reducing carbon footprint (refer to the sections "Management of Emissions" and "Management of Resources Utilization" above for details). We also encourage our employees to convey the importance of protecting the environment to their families, friends and business partners so as to build a stronger network in alleviating climate change due to human factors.

V. EMPLOYMENT AND LABOUR PRACTICES

Employees are our most valuable assets and key driver for the Group's sustainable and long-term business development. We are committed to create a discrimination-free, equal, harmonious and safe workplace; to build relationships with mutual-respect; to encourage our employees to be innovative, flexible and committed when dealing with our customers and to provide high quality products and services. We also offer promotion opportunities to attract, develop, retain and reward our talented staff and provide commensurate remuneration and benefits.

1. Talent Selection

The Group employs staff in strict compliance with Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and Social Insurance Law of the People's Republic of China and adopts a fair employment policy. These laws specify requirements concerning employee compensation and dismissal, recruitment, vacations, diversity, anti-discrimination, and other benefits and welfare. In accordance with national laws and regulations and combining the industrial characteristics and actual situations, the Group has established employee handbook, which fully protect the legal rights of our employees. The appropriate candidates would be selected based on their experiences, knowledge and abilities, and other job requirements, and regardless of their race, gender, age, nationality, or religion. This employment policy applies throughout all phases of the employment, including but not limited to hiring, promotion, performance appraisal, training, personal development and termination. The Group provides equal opportunities to employees in providing benefits, promotion, performance appraisal, training and career development and works closely with its employees with an aim to achieve win-win situation.

V. EMPLOYMENT AND LABOUR PRACTICES (continued)

2. Labor Standards

The Group respects human rights and prohibits any unethical hiring practices, including child and forced labor. Background checks with the review of identity documents of job applicants would be conducted in our hiring process. During the Reporting Period, we did not hire any applicant under the legal working age and comply with the local laws and regulations against child and forced labor.

3. Compensation and Welfare

The Group reviews the salary levels of employees regularly and benchmarks against up-to-date remuneration data in the industry, so as to establish a fair, reasonable and competitive remuneration scheme. Staff salary levels are decided based on one's knowledge, skills, scope of work, performance, experience and education background. Our employee remuneration package includes fixed salary, discretionary year-end bonus and other benefits. The Group expects employees to receive proper returns for their contribution. We conduct periodic performance appraisal and fairly assess the level of the discretionary bonus, salaries increment and/or promotion recommendations based on a number of criteria. All employees are entitled to rest days and holidays, for example, annual leaves, sick leaves, marriage leaves, maternity leaves, examination leaves and compassionate leaves. We handle dismissal and compensation in accordance with the local laws and regulations. We pay attention to our employees' health and encourage work-life balance. Our employees' working hours are based on the local labor laws.

4. Development and Training

The Group has always been paying attention to talent cultivation and is committed to staff training and development, as well as staff self-enhancement. This direction does not only enhances the quality and capability of employees, but also raises the cohesiveness among them, resulting in increased productivity. New hires are provided with orientation training so as to give them better understanding about the Group's corporate culture, business philosophy, development history, management practices, business scope, employee rights and obligations, and the Group's human resources plan. This is to make sure that new hires can readily adapt and integrate into their work environment.

5. Health and Safety

The Group recognizes the importance of our employees' health and safety at work, therefore we strictly implement office environment sanitation and fire safety management to prevent occupational hazards which might lead to staff injury. Smoking in the office areas are absolutely prohibited. Each employee should be familiar with the location and the use method of fire extinguisher. Besides, each floor of office is equipped with First Aid Box. If the employees should inform the Personnel & Administration Department to refill when any of items running low. The Group has established policy requiring instant report of employee work injury or sickness to the relevant Department head and immediately record on an Unusual Incident Form if found appropriate.

Compliance

During the Reporting Period, the Group did not have violations relating to employment and labor practices.

VI. OPERATING PRACTICES

1. Supply Chain Management

The Group strives to maintain long-term, stable and strategic cooperative relationships with good suppliers, and to co-develop with them on the basis of equality to achieve a win-win situation. In order to strengthen the management of suppliers, we standardize the pre-qualification, selection and renewal of suppliers, pay attention to the quality and stability of the purchased materials. For gas business, the performance of the qualified suppliers is reviewed annually. Such assessment is made based on their products' quality, price, effectiveness and credibility, and the suppliers are rated according to the pre-determined criteria. All suppliers scored below passing mark are to be removed from the list of qualified suppliers. However, the Group has disposed of the gas business during the Reporting Period.

2. Product and Service Responsibility

We have been dedicated in providing high quality and professional services to our customers. To ensure good quality of products and services, we assign responsible personnel to sample check the products for quality assurance. Operational manuals are prepared and provided to our employees so as to make sure consistent product and service quality is maintained.

For loan services and property investment businesses, debtors and tenants' satisfaction is vital to the Group's sustainable development and long term business growth. The Group is dedicated to providing high quality and professional services with the highest degree of integrity to its customers, and the Group always seek to exceed its customers' expectations. The Group values opinions from its debtors and tenants and offers proactive customer service.

The Group emphasizes confidentiality responsibility and complies with all relevant laws and regulations regarding data privacy, and sets out guideline in the employee handbook. All employees are strictly prohibited to disclose or misuse any information related to the Group's transactions or operations, business secrets or other confidential information of clients for their own personal interest.

Compliance

During the Reporting Period, there was no violation or non-compliance incident relating to product and service responsibility that had significant impact on the Group nor any complaints concerning breaches of customer privacy and loss of data.

3. Anti-corruption

Maintaining an ethical working environment is one of the Group's core values. We have adopted a zero-tolerance approach for all kinds of corruption, bribery and extortion situation. The Group has set out strict guideline and penalties in the employee handbook to combat inappropriate collection and acceptance of bribes, commissions or other illegal interests (such as property, banquet activities, etc.). Offenders who request and/or accept bribes, obtain other illegal interests are to be heavily penalized. We require all employees to strictly comply with the local law and regulations; and to prevent any case of bribery. We are determined in combating corruption and making our place a clean society.

Compliance

During the Reporting Period, the Group and its employees did not involve in any litigation cases of corruptions.

VII. COMMUNITY INVESTMENT

Ever since our establishment, we are responsible taxpayer and offer job opportunities to local people. We establish retirement plan for staff in different area by paying "Five Insurances and Housing Provident Fund" for the employees in the Mainland China and "Mandatory Provident Fund" for employees in Hong Kong. We run our business following good practices, and achieve a good development order with and aim to build a sustainable and harmonious society.

VIII. SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE

	Unit	Note	2019	2018
Greenhouse gas emission:				
Scope 1:		1		
Emission	Tonnes		12.78	40.24
Scope 2:		2		
Emission	Tonnes		513.58	1,580.48
Total	Tonnes		526.36	1,620.72
Intensity	(per employee)		5.26	4.48
Air emission:				
Nitrogen oxides	Tonnes		1.08	3.40
Intensity	(per employee)		0.01	0.01
Sulfur oxides	Tonnes		0.09	0.27
Intensity	(per employee)		–#	–#
Particles	Tonnes		0.12	0.37
Intensity	(per employee)		–#	–#
Energy and water consumption:				
Electricity:				
Consumption	Megawatt hours		570.87	1,855.70
Intensity	(per employee)		5.71	5.13
Gasoline:				
Consumption	Liters		5,586.12	17,451.43
Intensity	(per employee)		55.86	48.21
Diesel:				
Consumption	Liters		–	117.94
Intensity	(per employee)		–	0.33
Water:				
Consumption	Tonnes		2,391.03	11,838.29
Intensity	(per employee)		23.91	32.70
Paper:				
Consumption	Kilograms		224	279
Intensity	(per employee)		2.24	0.77

Data less than 0.01

Note:

1 Scope 1 refers to the Group's business direct GHG emissions, including combustion of gasoline and diesel.

2 Scope 2 refers to the Group's business indirect GHG emissions, including consumption of purchased electricity.

IX. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE HONG KONG STOCK EXCHANGE

Key Performance Indicators ("KPIs")	Reporting Guideline	Page
A. Environmental		
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	30–33
KPI A1.1	The types of emissions and respective emissions data.	31
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	36
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A
KPI A1.5	Description of measures to mitigate emissions and results achieved.	30–33
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	32–33
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	30–33
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility)	31
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	32
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	30–32
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	32
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A[1]
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	33
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	33

IX. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE HONG KONG STOCK EXCHANGE (continued)

Key Performance Indicators	Reporting Guideline	Page
	B. Social[2]	
Aspect B1	**Employment and Labour Practices**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	33–34
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	34
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	34
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	33–34
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	35
Aspect B6	**Product and Service Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products provided and methods of redress.	35

IX. "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE HONG KONG STOCK EXCHANGE (continued)

Key Performance Indicators	Reporting Guideline	Page
	B. Social[2]	
Aspect B7	**Anti-corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	35
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	35

Note:

1 The Group's main businesses are the gas business, provision of finance lease and loan services and property investment; and provision of land development services. The Group did not generate any hazardous waste and use any packaging materials.

2 Pursuant to Appendix 27 of the "Main Board Listing Rules", the KPIs under Area B "Social" are recommended disclosures only. Therefore, the Group chooses not to disclose those KPIs in this report.

Deloitte. 德勤

TO THE SHAREHOLDERS OF AVIC JOY HOLDINGS (HK) LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of AVIC Joy Holdings (HK) Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 45 to 142, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$585.0 million for the year ended 31 December 2019 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK$346.5 million. The Group's total borrowings and loans amounted to approximately HK$2,673.3 million, out of which borrowings and loans of approximately HK$1,380.0 million are due for repayment in the next twelve months from the date of approval of these consolidated financial statements. In order to improve the liquidity and financial position of the Group, the directors of the Company (i) have entered into an equity transaction agreement with an independent third party for the disposal of its entire interest in certain of its subsidiaries engaged in the property investment operations at a consideration of approximately HK$374.1 million in February 2020; (ii) are negotiating with the counterparties to renew the existing loans from them; and (iii) are actively identifying alternative sources of funding. However, the ultimate success of the renewal of the existing loans or the likelihood of raising any new funds could not be determined as of the date of approval of these consolidated financial statements. Should the above financing be unavailable, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets	
We identified the impairment of goodwill and intangible assets arising from historical acquisitions as a key audit matter due to the complexity and significant judgements involved in the assessment. Determining whether goodwill and intangible assets are impaired required management's estimation of the value-in-use of the cash generating units ("**CGUs**") to which goodwill and intangible assets have been allocated. In estimating the value-in-use on the value of CGUs, key assumptions used by management included the estimate of forecast revenue, budgeted gross margins and discount rates adopted in future cash flow forecasts. The carrying amount of goodwill and intangible assets were HK$nil (with accumulated impairment of HK$61.7 million) and approximately HK$225 million (with accumulated impairment of HK$739 million) as at 31 December 2019 respectively. Details of goodwill, intangible assets and the impairment testing of goodwill are disclosed in Notes 20, 21 and 22 to the consolidated financial statements respectively.	Our procedures in relation to the impairment of goodwill and intangible assets included: • Obtaining approved cash flow forecasts from management, and evaluating the key assumptions such as forecast revenue, budgeted gross margins and discount rates used by management in their impairment assessment with reference to the future business plan, market data and industry benchmarks; • Engaging our internal valuation experts to review the reasonableness of the discount rate provided by management; and • Evaluating the historical accuracy of the forecasted future cash flows by comparing them to the actual results in the current year and understanding the cases for significant variances.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to its significance to the consolidated financial statements as whole and the significant judgment and estimation associated with determining the inputs used in the valuation. As disclosed in Note 19 to the consolidated financial statements, the fair values of the Group's investment properties amounted to HK$1,539.0 million (including investment properties amounted to HK$1,519.3 million included in assets classified as disposal group held for sale as set out in Note 11) as at 31 December 2019 with a fair value loss of investment properties of HK$140.8 million recognised in the consolidated statement of profit or loss for the year then ended under the line item "fair value losses on investment properties, net". The fair values of the Group's investment properties as at 31 December 2019 have been arrived at on the basis of valuations carried out by an independent qualified professional valuer not connected with the Group (the "**Valuer**"). Details of the valuation techniques and significant unobservable inputs used in the calculations are disclosed in Note 19 to the consolidated financial statements. The fair values are dependent on certain significant unobservable inputs that involve judgment made by the management of the Group together with the Valuer, including recent prices of similar properties on less active markets and the adjustments made on factors such as location, size, age, condition and aspects of the properties.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining an understanding from the Valuer and the management of the Group on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuations; • Evaluating the appropriateness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of the significant unobservable inputs used in the valuation models by checking, on a sample basis, based on evidence of comparable market transactions and the publicly available information of the property industry in People's Republic of China and comparing the data used in the valuations to entity-specific historical information.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mak Chun Bon.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

		Continuing Operations		Discontinued Operations		Total	
	Notes	**Year ended 31.12.2019 HK$'000**	Year ended 31.12.2018 HK$'000	**Year ended 31.12.2019 HK$'000**	Year ended 31.12.2018 HK$'000	**Year ended 31.12.2019 HK$'000**	Year ended 31.12.2018 HK$'000
REVENUE							
Sales of goods		**–**	–	**46,873**	128,756	**46,873**	128,756
Leases	6	**15,546**	11,066	**–**	–	**15,546**	11,066
Total revenue		**15,546**	11,066	**46,873**	128,756	**62,419**	139,822
Cost of sales		**–**	–	**(30,213)**	(95,672)	**(30,213)**	(95,672)
Gross profit		**15,546**	11,066	**16,660**	33,084	**32,206**	44,150
Other income, gains and losses	7	**11,770**	13,381	**(277)**	61	**11,493**	13,442
Impairment losses under expected credit loss model, net of reversal	9	**(37,566)**	(31,704)	**4,319**	(5,390)	**(33,247)**	(37,094)
Selling and distribution expenses		**–**	–	**(6,878)**	(14,713)	**(6,878)**	(14,713)
Administrative expenses		**(45,622)**	(52,497)	**(4,715)**	(23,827)	**(50,337)**	(76,324)
Other expenses		**(156)**	–	**(12)**	(2,138)	**(168)**	(2,138)
Fair value losses on investment properties, net	19	**(140,790)**	(245,912)	**–**	–	**(140,790)**	(245,912)
Impairment of goodwill	20	**(22,056)**	(331)	**–**	–	**(22,056)**	(331)
Impairment of intangible assets	21	**(315,184)**	(423,816)	**–**	–	**(315,184)**	(423,816)
Gain on disposal of subsidiaries	46	**–**	–	**218**	52,660	**218**	52,660
Gain on disposal of a joint venture	23	**–**	–	**–**	8,537	**–**	8,537
Share of (losses)/profits of joint ventures		**(5,631)**	14,171	**–**	(5,945)	**(5,631)**	8,226
Finance costs	8	**(130,862)**	(123,950)	**(2,159)**	(3,849)	**(133,021)**	(127,799)
(LOSS)/PROFIT BEFORE TAX		**(670,551)**	(839,592)	**7,156**	38,480	**(663,395)**	(801,112)
Income tax credit/(expense)	10	**78,780**	105,709	**(350)**	(1,080)	**78,430**	104,629
(LOSS)/PROFIT FOR THE YEAR	12	**(591,771)**	(733,883)	**6,806**	37,400	**(584,965)**	(696,483)
Loss for the year attributable to owners of the Group							
– from continuing operations						**(447,284)**	(552,809)
– from discontinued operations						**6,524**	35,738
Loss for the year attributable to owners of the Group						**(440,760)**	(517,071)
Loss for the year attributable to non-controlling interests							
– from continuing operations						**(144,487)**	(181,074)
– from discontinued operations						**282**	1,662
Loss for the year attributable to non-controlling interests						**(144,205)**	(179,412)
(LOSS)/EARNINGS PER SHARE	15						
From continuing and discontinued operations							
Basic and diluted						**(HK7.42 cents)**	(HK8.70 cents)
From continuing operations							
Basic and diluted						**(HK7.53 cents)**	(HK9.30 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
LOSS FOR THE YEAR		**(584,965)**	(696,483)
OTHER COMPREHENSIVE (EXPENSES)/INCOME:			
Items that will not be reclassified to profit or loss:			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		**(16,622)**	(42,111)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(10,027)**	(34,535)
Reclassification adjustments for foreign operations disposed of during the year	46	**2,603**	(10,608)
Other comprehensive expense for the year, net		**(24,046)**	(87,254)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		**(609,011)**	(783,737)
Total comprehensive expenses attributable to:			
Owners of the Company		**(464,530)**	(602,186)
Non-controlling interests		**(144,481)**	(181,551)
		(609,011)	(783,737)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**2,995**	20,495
Right-of-use assets	17	**2,448**	–
Prepaid land lease payments	18	**–**	6,466
Investment properties	19	**19,712**	1,707,264
Goodwill	20	**–**	29,285
Intangible assets	21	**225,000**	540,776
Investment in a joint venture	23	**59,618**	65,249
Equity instrument at fair value through other comprehensive income	24	**–**	16,622
Other asset	25	**–**	2,680
Prepayments and deposits	28	**229**	5,285
Finance lease receivables	26	**49,253**	22,340
		359,255	2,416,462
CURRENT ASSETS			
Inventories	31	**–**	11
Contract costs	32	**285,352**	289,918
Trade receivables	27	**21,245**	31,437
Prepayments, deposits and other receivables	28	**17,376**	53,915
Finance lease receivables	26	**90,674**	8,807
Promissory note receivable	29	**62,300**	89,000
Amounts due from joint ventures	23	**128,394**	158,640
Bank balances and cash	33	**33,051**	40,484
		638,392	672,212
Assets classified as disposal group held for sale	11	**1,528,468**	–
		2,166,860	672,212
CURRENT LIABILITIES			
Trade payables	34	**8,550**	8,720
Other payables and accruals	35	**127,487**	99,854
Lease liabilities	36	**1,492**	–
Interest-bearing bank and other borrowings	38	**202,634**	487,573
Loans from related companies	30	**206,979**	–
Loans from joint ventures	23	**13,343**	8,736
Loans from non-controlling shareholders	30	**32,189**	–
Tax payable		**2,454**	3,226
		595,128	608,109
Liabilities classified as disposal group held for sale	11	**1,208,635**	–
		1,803,763	608,109
NET CURRENT ASSETS		**363,097**	64,103
TOTAL ASSETS LESS CURRENT LIABILITIES		**722,352**	2,480,565

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	36	**904**	–
Interest-bearing bank and other borrowings	38	**195,861**	1,196,598
Loans from related companies	30	**815,626**	564,982
Loans from non-controlling shareholders	30	**–**	307,779
Deferred tax liabilities	39	**56,482**	135,770
		1,068,873	2,205,129
NET (LIABILITIES)/ASSETS		**(346,521)**	275,436
CAPITAL AND RESERVES			
Share capital	40	**2,234,815**	2,234,815
Other reserves		**(2,616,694)**	(2,152,164)
Equity attributable to owners of the Company		**(381,879)**	82,651
Non-controlling interests		**35,358**	192,785
		346,521	275,436

The consolidated financial statements on pages 45 to 142 were approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

Wang Ying
Director

Mu Yan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Investment revaluation reserve HK$'000	Capital reserve HK$'000	Special capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	2,234,815	15,098	61,314	(86,289)	58,086	823,357	3,049	2,047	9,426	(2,436,066)	684,837	380,259	1,065,096
Loss for the year	–	–	–	–	–	–	–	–	–	(517,071)	(517,071)	(179,412)	(696,483)
Change in fair value of equity instrument through other comprehensive income	–	–	–	(42,111)	–	–	–	–	–	–	(42,111)	–	(42,111)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(32,396)	–	–	–	(32,396)	(2,139)	(34,535)
Reclassification adjustments for foreign operations disposed of during the year	–	–	–	–	–	–	(10,608)	–	–	–	(10,608)	–	(10,608)
Total comprehensive expenses for the year	–	–	–	(42,111)	–	–	(43,004)	–	–	(517,071)	(602,186)	(181,551)	(783,737)
Transfer to accumulated losses upon maturity of convertible bonds	–	–	(61,314)	–	–	–	–	–	–	61,314	–	–	–
Transfer upon forfeiture of options	–	(984)	–	–	–	–	–	–	–	984	–	–	–
Disposal of subsidiaries (Note 46b)	–	–	–	–	–	–	–	(340)	–	340	–	(5,923)	(5,923)
At 31 December 2018	2,234,815	14,114	–	(128,400)	58,086	823,357	(39,955)	1,707	9,426	(2,890,499)	82,651	192,785	275,436
Loss for the year	–	–	–	–	–	–	–	–	–	(440,760)	(440,760)	(144,205)	(584,965)
Change in fair value of equity instrument through other comprehensive income	–	–	–	(16,622)	–	–	–	–	–	–	(16,622)	–	(16,622)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(9,751)	–	–	–	(9,751)	(276)	(10,027)
Reclassification adjustments for foreign operations disposed of during the year	–	–	–	–	–	–	2,603	–	–	–	2,603	–	2,603
Total comprehensive expenses for the year	–	–	–	(16,622)	–	–	(7,148)	–	–	(440,760)	(464,530)	(144,481)	(609,011)
Disposal of subsidiaries (Note 46a)	–	–	–	–	–	–	–	(1,707)	–	1,707	–	(12,946)	(12,946)
At 31 December 2019	**2,234,815**	**14,114**	**–**	**(145,022)**	**58,086**	**823,357**	**(47,103)**	**–**	**9,426**	**(3,329,552)**	**(381,879)**	**35,358**	**(346,521)**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(663,395)**	(801,112)
Adjustments for:			
Finance costs		**133,021**	127,799
Interest income		**(2,027)**	(2,943)
Share of losses/(profits) of joint ventures		**5,631**	(8,226)
Depreciation of property, plant and equipment		**2,677**	6,548
Depreciation of right-of-use assets		**3,876**	–
Amortisation of prepaid land lease payments		**–**	1,050
Amortisation of intangible assets		**46**	47
Impairment loss on property, plant and equipment		**339**	2
Write-off of inventories		**–**	279
Impairment loss on goodwill		**22,056**	331
Impairment loss on trade receivables, net of reversal		**3,809**	31,704
Impairment loss on promissory note		**26,700**	–
Impairment loss on intangible assets		**315,184**	423,816
Impairment loss on other receivables, net of reversal		**(4,262)**	5,390
Impairment loss on finance lease receivables		**3,000**	–
Impairment loss on amounts due from joint ventures		**4,000**	–
Loss on fair value changes of investment properties, net		**140,790**	245,912
Gain on disposal of other asset		**(3,195)**	–
Gain on disposal of property, plant and equipment		**–**	(694)
Gain on disposal of subsidiaries	46	**(218)**	(52,660)
Gain on disposal of a joint venture	23	**–**	(8,537)
Operating cash flows before movements in working capital		**(11,968)**	(31,294)
Increase in inventories		**–**	(77)
Decrease/(increase) in contract costs		**4,646**	(153,736)
Decrease in trade receivables		**1,296**	8,425
Decrease in prepayments, deposits and other receivables		**36,118**	130,729
(Increase)/decrease in finance lease receivables		**(113,688)**	314
Decrease in amounts due from joint ventures		**24,386**	–
Increase in trade payables		**2,792**	461
(Decrease)/increase in other payables and accruals		**(22,368)**	59,721
Cash (used in)/from operations		**(78,786)**	14,543
Income taxes paid		**(301)**	(468)
Net cash (used in)/from operating activities		**(79,087)**	14,075

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(627)**	(5,289)
Net cash inflow from disposal of subsidiaries	46	**10,517**	41,131
Proceeds from disposal of other asset		**5,875**	–
Repayment from joint ventures		**1,330**	60,197
Interest received		**113**	247
Prepaid land lease payments		**–**	(1,094)
Proceeds from disposal of a joint venture		**–**	16,879
Proceeds from disposal of property, plant and equipment		**–**	3,327
Net cash from investing activities		**17,208**	115,398
FINANCING ACTIVITIES			
Repayment of bank and other borrowings		**(244,362)**	(378,258)
Interest paid on bank and other borrowings		**(87,875)**	(91,005)
Interest paid on loans from related companies		**(6,362)**	(8,700)
Interest paid on lease liabilities		**(209)**	–
Repayment of lease liabilities/obligations under finance leases		**(3,644)**	(1,155)
Advance of loans from related companies		**288,760**	253,759
Advance of loans from joint ventures		**4,607**	–
New bank and other borrowings		**116,280**	226,840
Repayment of loans from related companies		**–**	(51,300)
Repayment of convertible bonds		**–**	(38,728)
Interest paid on convertible bonds		**–**	(19,165)
Net cash from/(used in) financing activities		**67,195**	(107,712)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,316**	21,761
Cash and cash equivalents at 1 January		**40,484**	34,867
Effect of foreign exchange rate changes		**(11,740)**	(16,144)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**34,060**	40,484
Representing by:			
Bank balances and cash		**33,051**	40,484
Assets classified as disposal group for sale		**1,009**	–
		34,060	40,484

1. GENERAL INFORMATION

AVIC Joy Holdings (HK) Limited (the "**Company**") is a limited liability company incorporated in Hong Kong whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at Room A02, 35/F, United Centre, 95 Queensway, Hong Kong.

During the year, the Group was principally involved in the management and operation of light-emitting diode ("**LED**") energy management contracts ("**EMC**"); provision of finance lease and loan services and property investment; and provision of land development services in the People's Republic of China ("**PRC**"). The Group operates LED EMC business through its investment in a joint venture.

On 12 July 2019, the Group disposed of Crystal Concept Investments Limited and its subsidiaries, which carried out all of the Group's sales of compressed natural gas ("**CNG**") and petroleum products operation and such operation was discontinued during the year.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK$585.0 million for the year ended 31 December 2019 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK$346.5 million as at 31 December 2019. The Group's total borrowings (comprising interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders) amounted to approximately HK$2,673.3 million (including bank borrowings and loans from related companies classified as liabilities associated with disposal group held for sale of approximately HK$1,206.7 million), out of which bank and other borrowings of approximately HK$312.0 million and loans from related companies, loans from joint ventures and loans from non-controlling shareholders of approximately HK$1,068.0 million are due for repayment in the next twelve months from the date of approval of these consolidated financial statements.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) As set out in notes 11 and 53 to the consolidated financial statements, on 4 February 2020, the Group has entered into an equity transaction agreement with an independent third party for the disposal of its entire equity interest in 上海商聚實業有限公司 (Shanghai Shangju Enterprise Co., Ltd.) and its subsidiaries (collectively referred to as "**Shanghai Shangju**") engaged in the property investment operations at a consideration of RMB337,010,000 (equivalent to approximately HK$374,081,000), subject to adjustment, and the full amount of consideration (net of transaction costs and related tax expenses) has been received as of the date of approval of the consolidated financial statements.

(ii) The Group is negotiating with the counterparties to renew the existing loans from them as set out in notes 23, 30 and 38 to the consolidated financial statements.

(iii) The Group is actively identifying alternative sources of funding.

The directors of the Company consider that after taking into account the aforementioned measures, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases (continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases in the PRC was determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates is 4.75%

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	7,046
Less: Recognition exemption – short-term leases	(777)
Operating leases commitment as at 1 January 2019	6,269
Lease liabilities as at 1 January 2019 discounted at relevant borrowing rates	6,088
Analysed as:	
Current	3,662
Non-current	2,426
	6,088

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets** HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		6,088
Reclassified from prepaid land lease payment	(a)	6,667
Adjustments on rental deposits at 1 January 2019	(b)	52
		12,807

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the non-current and current portion of prepaid lease payments amounting to approximately HK$6,466,000 and HK$201,000 respectively were reclassified to right-of-use assets.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, approximately HK$52,000 was adjusted to refundable rental deposits paid and right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The discounting effect had no material impact on the consolidated financial statement of the Group.

Effective on 1 January 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases (continued)

Sales and leaseback transactions

The Group acts as a buyer-lessor

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of HKFRS 15 as a sale. The application of HKFRS 16 as a buyer-lessor has no material impact on the consolidated financial statements of the Group for the current year as there is no new sales and leaseback arrangement commenced during the year.

The application of HKFRS 16 has no material impact on accumulated losses at 1 January 2019.

Interests in joint ventures

The application of HKFRS 16 has no material impact on the carrying amounts of interests in joint ventures as at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2018** HK$'000	**Adjustments** HK$'000	**Carrying amounts under HKFRS 16 at 1 January 2019** HK$'000
Non-current Assets				
Prepaid lease payments	(a)	6,466	(6,466)	–
Right-of-use assets		–	12,807	12,807
Prepayments and deposits	(b)	5,285	(9)	5,276
Current Assets				
Prepayment, deposits and other receivables	(a), (b)	53,915	(244)	53,671
Current Liabilities				
Lease liabilities		–	3,662	3,662
Non-current Liabilities				
Lease liabilities		–	2,426	2,426

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

The application of HKFRS 16 as a lessor has no material impact on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statements of profit or loss and other comprehensive income and cash flows for the current year.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2021
2 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
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs and the revised Conceptual Framework mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 and HKAS 8 Definition of Material (continued)

*Conceptual Framework for Financial Reporting 2018 (the "**New Framework**") and the Amendments to References to the Conceptual Framework in HKFRS Standards*

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure the fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Changes in the Group's interests in existing subsidiaries

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the joint venture's accounting policies to those of the Group. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. The difference between the carrying amount of the joint venture and the fair value of proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated at the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests incurred by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

- Lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts at the acquiree's identifiable net assets or at fair value. Acquisition-related costs are expensed as incurred.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Disposal group held for sale

Disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 and investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its provision of land development services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant Standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Foreign currencies

These financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the HK$. At the end of each reporting period, for the purpose of presenting of consolidated financial statements, the assets and liabilities of these entities are translated into HK$ at the exchange rates prevailing at the end of the reporting period. Income and expenses items are translated into HK$ at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of other reserves (attributed to non-controlling interests as appropriate). The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, all the exchange differences accumulated in equity relating to that particular foreign operation is reclassified in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired on an acquisition of a foreign operation are translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable..

Other employee benefits

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 41 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Owned properties	2% or over the lease terms, whichever is shorter
Leasehold improvements	4% to 20% or over the lease terms, whichever is shorter
Plant and machinery	10% to 20%
Furniture and fixtures	15% to 25%
Motor vehicles	10% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents gas refueling stations under construction, which is stated at cost less any impairment losses, and is not depreciated. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation.

Such properties are measured initially at cost, including any directly attributable expenditure.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Intangible assets (other than goodwill)

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Intangible assets with finite lives are subsequently amortised on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite life are reviewed at least at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Intangible assets (other than goodwill) (continued)

Land development

Land development contract is stated at cost less any impairment losses and is amortised on the output-based basis over its estimated useful life.

Franchise

Purchased franchise is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated life of 20 years.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss. Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of corporate assets or portion of corporate assets allocated to the group of cash-generating units, with the recoverable amount of this group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

Inventories

Inventories represent finished goods and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating interest income and interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liabilities, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit and loss ("**FVTPL**"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group a manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measure at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI
Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income, gains and losses line item in profit or loss.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for expected credit loss ("**ECL**") model on financial assets (including trade receivables, other receivables, promissory note receivable, amounts due from joint ventures and bank balances and other items (lease receivables)) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and lease receivables without significant financing component. The ECL are assessed individually for debtors with significant balances or collectively using a provision matrix with past due analysis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the past due analysis basis:

- Nature of financial instruments (i.e. the Group's trade receivables and finance lease receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables, promissory note receivable, finance lease receivables and amounts due from joint ventures, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using effective interest method or at FVTPL.

Financial liabilities including trade and other payables, liability component of convertible bonds, finance lease payable, interest-bearing bank and other borrowings, loans from related companies, loans from joint ventures and loans from non-controlling shareholders are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Convertible bonds

The component parts of the convertible loan notes are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Other assets

The other asset of the Group represents a golf club membership with indefinite useful lives which are carried at cost less any subsequent accumulated impairment losses.

It is tested for impairment at least annually, and whenever there is any indication that it may be impaired by comparing its carrying amount with its recoverable amount. If its recoverable amount of club memberships is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss subsequently reverses, its carrying amount is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed original cost. A reversal of an impairment loss is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. During the year, the Group recognised HK$22,056,000 (2018: HK$331,000) impairment of goodwill. The carrying amount of goodwill at 31 December 2019 was HK$nil (2018: HK$29,285,000). Further details of the impairment testing of goodwill are given in note 22 to the financial statements.

Estimated impairment of intangible assets

The Group determines whether intangible assets not available for use is impaired at least on an annual basis, and whenever there is an indication that it may be impaired. If any impairment, the Group estimates the recoverable amounts of the intangible assets. The Group measures the recoverable amounts of the intangible assets with reference to their value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from intangible assets based on the development plan forecasted by the management, economic outlook, expected selling price, development costs and a suitable discount rate in order to calculate the present value. As at 31 December 2019, the carrying amount of intangible assets was approximately HK$225,000,000 (2018: HK$540,776,000) (net of accumulated impairment loss of HK$739,000,000 (2018: HK$423,816,000)). Further details are set out in note 21 to the financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The carrying amount of investment properties at 31 December 2019 was HK$1,538,992,000 (including those classified as disposal group held for sale) (2018: HK$1,707,264,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 19 to the financial statements.

Estimated impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision of ECL for other receivable, promissory note receivable, amounts due from joint ventures and finance lease receivables

The Group uses individual assessments to calculate ECL for the other receivables, promissory note receivable, amounts due from joint ventures and finance lease receivables. The provision rates are based on past due analysis. The individual assessments are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Further details are given in Notes 48, 23, 26, 28 and 29 to the financial statements.

Impairment of contract costs

The Group determines whether the outcome of the contract costs can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work completed/certified and the assessment of the probability of the future economic benefits flows to the Group. The carrying amount of contract costs as at 31 December 2019 was HK$285,352,000 (2018: HK$289,918,000). Further details are set out in Note 32 to the financial statements.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on past due analysis as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 48 and 27, respectively.

6. REVENUE AND SEGMENT INFORMATION

Leases

	Year ended 31 December 2019 HK$'000
For finance leases:	
Finance income on the net investment in the lease	**15,546**

	Year ended 31 December 2018 HK$'000
Finance lease income – machinery and equipment	11,066

For management purposes, the Group is organised into business units based on their products and services and has following reporting segments as follows:

(a) Management and operation of LED EMC;

(b) Provision of finance lease and loan services and property investment; and

(c) Provision of land development services and sale of construction materials.

Major line of business in the sales of compressed natural gas ("**CNG**") and petroleum products was discontinued during the year. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 11. The comparative figures have been restated to exclude the sales of CNG and petroleum products operation in segment results.

Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that gain on disposal of other asset, impairment of amounts due from joint ventures and certain finance costs, depreciation and amortization, as well head office and corporate expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, right-of-use assets, other receivables and bank balances; and

- all liabilities are allocated to operating segments other than certain loans from related companies, other payables, lease liabilities and interest-bearing bank and other borrowings.

There is asymmetrical allocation to operating segments because the Group allocated amounts due from joint ventures to segment assets of operating segment of management and operation of LED EMC without allocating the related impairment losses to segment results.

For the presentation of the Group's geographical information, revenues and results information is attributed to the segments based on the locations of the customers, and assets information is based on the locations of the assets. As the Group's major operations and markets are located in Mainland China, no further geographical information is provided.

The following table presents revenue and profit/(loss) for the Group's primary segment for the year ended 31 December 2019 and 2018.

6. REVENUE AND SEGMENT INFORMATION (continued)

Year ended 31 December 2019

	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services HK$'000	Total HK$'000
Continuing operations				
Segment revenue:				
Leases	–	15,546	–	15,546
Segment results	(5,641)	(245,208)	(364,517)	(615,366)
Reconciliation:				
Finance costs – unallocated				(43,448)
Unallocated other gain				3,195
Corporate and other unallocated expenses				(14,932)
Loss before tax from continuing operations				(670,551)
Income tax credit				78,780
Loss for the year from continuing operations				(591,771)
Other segment information:				
Interest income	–	107	1,914	2,021
Depreciation and amortisation	–	(20)	(233)	(253)
Depreciation and amortisation – unallocated				(3,913)
Gain on disposal of other asset – unallocated				3,195
Share of losses of joint ventures	(5,631)	–	–	(5,631)
Impairment of goodwill	–	(22,056)	–	(22,056)
Impairment of trade receivables	–	–	(3,809)	(3,809)
Impairment of other receivables and promissory note receivables	–	(57)	(26,700)	(26,757)
Impairment of finance lease receivables	–	(3,000)	–	(3,000)
Impairment of amounts due from joint ventures – unallocated				(4,000)
Impairment of intangible assets	–	–	(315,184)	(315,184)
Finance costs	–	(73,789)	(13,625)	(87,414)
Fair value losses on investment properties, net	–	(140,790)	–	(140,790)
Capital expenditure*	–	(627)	–	(627)

* Capital expenditure consists of additions to property, plant and equipment.

6. REVENUE AND SEGMENT INFORMATION (continued)

Year ended 31 December 2019 (continued)

	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services HK$'000	Total HK$'000
Segment assets	**86,000**	**1,885,229**	**696,958**	**2,668,187**
Reconciliation:				
Elimination of intersegment receivables				**(178,309)**
Corporate and other unallocated assets				**36,237**
Total assets		**–**	**–**	**2,526,115**
Segment liabilities	**208,506**	**2,538,320**	**695,428**	**3,442,254**
Reconciliation:				
Elimination of intersegment payables				**(1,633,133)**
Corporate and other unallocated liabilities				**1,063,515**
Total liabilities				**2,872,636**

6. REVENUE AND SEGMENT INFORMATION (continued)

Year ended 31 December 2018

	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services HK$'000	Total HK$'000
Continuing operations:				
Leases	–	11,066	–	11,066
Segment results	14,907	(333,019)	(464,453)	(782,565)
Reconciliation:				
Finance costs – unallocated				(50,350)
Corporate and other unallocated expenses				(6,677)
Loss before tax from continuing operations				(839,592)
Income tax credit				105,709
Loss for the year from continuing operations				(733,883)
Other segment information:				
Interest income	782	215	1,932	2,929
Depreciation and amortisation	–	(469)	(296)	(765)
Depreciation and amortisation – unallocated				(404)
Share of profit of joint ventures	14,171	–	–	14,171
Impairment of goodwill	–	–	(331)	(331)
Impairment of trade receivables	–	–	(31,704)	(31,704)
Impairment of intangible assets	–	–	(423,816)	(423,816)
Finance costs	–	(71,226)	(2,374)	(73,600)
Fair value losses on investment properties, net	–	(245,912)	–	(245,912)
Capital expenditure – unallocated*				(55)

* Capital expenditure consists of additions to property, plant and equipment.

6. REVENUE AND SEGMENT INFORMATION (continued)

Year ended 31 December 2018 (continued)

	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services and sale of construction materials HK$'000	Total HK$'000
Segment assets	91,631	1,988,350	920,526	3,000,507
Reconciliation:				
Elimination of intersegment receivables				(148,727)
Assets under discontinued operation				184,917
Corporate and other unallocated assets				51,977
Total assets				3,088,674
Segment liabilities	208,471	1,308,387	567,728	2,084,586
Reconciliation:				
Elimination of intersegment payables				(148,727)
Liabilities under discontinued operation				164,717
Corporate and other unallocated liabilities				712,662
Total liabilities				2,813,238

7. OTHER INCOME, GAINS AND LOSSES

An analysis of the Group's other income, gains and losses is as follows:

	2019 HK$'000	2018 HK$'000
Continuing operations		
Other income		
Interest income	**107**	233
Loan interest income	**–**	782
Promissory note interest income	**1,914**	1,914
Gross rental income	**1,217**	1,124
Sub-total	**3,238**	4,053
Other gains and losses, net		
Exchange gain, net	**5,263**	4,715
Gain on disposal of other asset	**3,195**	–
Gain on disposal of property, plant and equipment	**–**	783
Others	**74**	3,830
Sub-total	**8,532**	9,328
Total	**11,770**	13,381

8. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2019 HK$'000	2018 HK$'000
Continuing operations		
Interests on bank and other borrowings	**88,708**	66,965
Interest on convertible bonds	**–**	15,882
Interests on loans from related companies	**31,808**	28,216
Interests on loans from non-controlling shareholders	**5,646**	11,385
Interests on lease liabilities/obligation under finance lease	**209**	27
Amortisation of financing arrangement fees	**4,491**	1,475
	130,862	123,950

9. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Continuing operations		
Impairment losses recognised on:		
– Trade receivables	**3,809**	31,704
– Other receivables	**57**	–
– Promissory note receivable	**26,700**	–
– Amounts due from joint ventures	**4,000**	–
– Finance lease receivables	**3,000**	–
	37,566	31,704

Details of impairment assessment are set out in note 48.

10. INCOME TAX (CREDIT)/EXPENSE

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong in both years. Taxation on Mainland China profits was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019 HK$'000	2018 HK$'000
Continuing operations		
Current – Mainland China Enterprise Income Tax ("**EIT**")		
Charge for the year	**16**	245
Deferred tax credit	**(78,796)**	(105,954)
	(78,780)	(105,709)

10. INCOME TAX CREDIT (continued)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense for the year at the effective rates is as follows:

		2019	
	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Loss before tax (from continuing operations)	**(51,137)**	**(619,414)**	**(670,551)**
Tax at the statutory tax rates	**(8,438)**	**(154,854)**	**(163,292)**
Tax effect of share of profits and losses attributable to joint ventures	**–**	**1,408**	**1,408**
Tax effect of income not subject to tax	**(527)**	**(455)**	**(982)**
Tax effect of deductible temporary differences not recognised	**–**	**9,391**	**9,391**
Utilisation of tax losses previously not recognised	**–**	**(865)**	**(865)**
Tax effect of expenses not deductible for tax	**8,965**	**33,344**	**42,309**
Tax effect of tax losses not recognised	**–**	**33,251**	**33,251**
Income tax credit for the year (relating to continuing operations)	**–**	**(78,780)**	**(78,780)**

10. INCOME TAX CREDIT (continued)

	2018		
	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Loss before tax (from continuing operations)	(57,480)	(782,283)	(839,763)
Tax at the statutory tax rates (from continuing operations)	(9,484)	(195,571)	(205,055)
Under provision of PRC EIT in the prior years	–	98	98
Tax effect of share of profits and losses attributable to joint ventures	–	(3,543)	(3,543)
Tax effect of deductive temporary differences not recognised	–	7,709	7,709
Tax effect of expenses not deductible for tax	9,484	60,798	70,282
Tax effect of tax losses not recognised	–	24,800	24,800
Income tax credit for the year (relating to continuing operations)	–	(105,709)	(105,709)

11. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

(a) Discontinued Operations

On 12 July 2019, the Group entered into a share transfer agreement with a substantial shareholder of Chengdu Sinogas Company Limited (成都潔能環保科技有限公司) ("**Chengdu Sinogas**"), an indirect non-wholly owned subsidiary of the Group, for the disposal of Crystal Concept Investments Limited and its subsidiaries (collectively referred to as "**Crystal Concept**"), which carried out all of the Group's sales of CNG and petroleum products operations. The disposal was completed on 17 September 2019, on which date of control of certain subsidiaries passed to the acquirer.

The loss/profit for the period/year from the discontinued sales of CNG and petroleum products operation is set out below. The comparative figures in the consolidated statement of profit or loss and consolidated statement of other comprehensive income have been restated to re-present the sales of CNG and petroleum products operation as a discontinued operation.

	Period ended 17 September 2019 HK$'000	Year ended 31 December 2018 HK$'000
Profit/(loss) of CNG and petroleum products operation for the period/year	**6,588**	(15,260)
Gain on disposal of CNG and petroleum products operation (see note 46)	**218**	52,660
	6,806	37,400

11. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (continued)

(a) Discontinued Operations (continued)

The results of the sales of CNG and petroleum products operations for the period from 1 January 2019 to 17 September 2019, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 17 September 2019 HK$'000	Year ended 31 December 2018 HK$'000
Revenue – Contracts with customers	**46,873**	128,756
Cost of sales	**(30,213)**	(95,672)
Gross Profit	**16,660**	33,084
Other income, gains and losses	**(277)**	61
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	**4,319**	(5,390)
Selling and distribution expenses	**(6,878)**	(14,713)
Administrative expenses	**(4,715)**	(23,827)
Other expenses	**(12)**	(2,138)
Finance costs	**(2,159)**	(3,849)
Gain on disposal of a joint venture	**–**	8,537
Share of losses of joint ventures	**–**	(5,945)
Profit before tax	**6,938**	(14,180)
Income tax expense	**(350)**	(1,080)
Profit of sale of CNG and petroleum products operation for the period/year	**6,588**	(15,260)
Gain on disposal of subsidiaries	**218**	52,660
Profit for the year/period	**6,806**	37,400

Profit for the period/year from discontinued operations includes the followings:

	Period ended 17 September 2019 HK$'000	Year ended 31 December 2018 HK$'000
Loss on disposal of property, plant and equipment	**–**	(89)
Impairment loss recognised in respect of property, plant and equipment	**(339)**	(2)
Auditor's remuneration	**–**	–
Depreciation of property, plant and equipment	**(2,252)**	(6,475)
Depreciation of right-of-use assets	**(135)**	–
Amortization of intangible assets	**(46)**	(47)

During the year ended 31 December 2019, Crystal Concept paid HK$2.83 million (2018: HK$59.66 million) to the Group's net operating cash flows, contributed HK$10.52 million (2018: HK$41.17 million) in respect of investing activities and paid HK$3.38 million (2018: HK$6.91 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of Crystal Concept at the date of disposal are disclosed in note 46.

11. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (continued)

(a) Discontinued Operations (continued)

All CNG and petroleum products are delivered within periods of less than one year. As permitted under HKFRS 15, the transaction price allocated to those unsatisfied contracts is not disclosed.

Sales of CNG and petroleum products (revenue recognised at one point in time)

The revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the CNG stations. For retail customers, payment of the transaction price is due immediately at the point the customer purchases the goods. For corporate customers, the payment terms are mainly on credit and the credit period is generally 90 to 120 days.

(b) Disposal Group Held For Sale

During the year ended 31 December 2019, the directors resolved to dispose of one of the Group's property investment operations. The assets and liabilities attributable to the business, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the property investment operations as at 31 December 2019, which have been presented separately in the consolidated statement of financial position, are as follows:

	31 December 2019 HK$'000
Property, plant and equipment	**1,672**
Investment properties	**1,519,280***
Prepayments, deposits and other receivables	**6,507**
Bank balances and cash	**1,009**
Assets classified as disposal group held for sale	**1,528,468**
Trade payables and accrued expenses	**(1,891)**
Loan from related companies	**(75,040)**
Bank borrowings	**(1,131,704)**
Liabilities classified as disposal group held for sale	**(1,208,635)**

Subsequent to the end of the reporting period, the Group has entered into an equity transaction agreement with an independent third party for the disposal of property investment operations.

12. LOSS FOR THE YEAR

The Group's loss for the year from continuing operations has been arrived at after charging:

	2019 HK$'000	2018 HK$'000
Auditor's remuneration	**1,100**	1,380
Depreciation on property, plant and equipment	**425**	1,169
Depreciation of right-of-use assets	**3,741**	–
Employee benefit expense (excluding directors' and chief executive's remuneration (note 13)):		
Wages, salaries, allowances and benefits in kind	**10,002**	12,033
Pension scheme contributions	**114**	131
	10,116	12,164

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies Regulation (Disclosure of information about Benefits of Directors), is as follows:

	2019 HK$'000	2018 HK$'000
Fees:		
Executive directors	**168**	216
Non-executive director	**–**	–
Independent non-executive directors	**180**	180
	348	396
Other emoluments (executive directors):		
Salaries, allowances and benefits in kind	**484**	503
Pension scheme contributions	**–**	–
	484	503
	832	899

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

The details of the directors' outstanding share options are set out the Report of the Directors and note 41 to the financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

The executive directors' emoluments shown above is mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Mr. Guan Liqun is the Chief Executive Officer ("**CEO**") of the Group and the emolument below also represent the services for his role as CEO.

The fees paid/payable to independent non-executive directors during the year were as follows:

	2019 **HK$'000**	2018 HK$'000
Jiang Ping	**60**	60
Wu Rui	**60**	60
Guo Wei	**60**	60
	180	180

As at 31 December 2019, there was HK$180,000 of emoluments payable to the independent non-executive directors (2018: HK$75,000). The fees payable to independent non-executive directors above are the director fees.

2019	Note	**Fees** **HK$'000**	**Salaries, allowances and benefits in kind** **HK$'000**	**Total remuneration** **HK$'000**
Executive directors:				
Guan Liqun		**36**	**484**	**520**
Zhang Zhibiao		**36**	**–**	**36**
Wang Ying		**36**	**–**	**36**
Fu Fangxing	(ii)	**2**	**–**	**2**
Mu Yan		**36**	**–**	**36**
Fu Xiao	(iv)	**22**	**–**	**22**
		168	**484**	**652**

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

2018	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Total remuneration HK$'000
Executive directors:				
Guan Liqun	(iii)	27	503	530
Li Chengning	(i)	9	–	9
Zhang Zhibiao		36	–	36
Wang Ying		36	–	36
Fu Fangxing	(ii)	36	–	36
Mu Yan		36	–	36
Fu Xiao	(iv)	36	–	36
		216	503	719

Notes:

(i) Resigned with effect from 28 March 2018

(ii) Resigned with effect from 18 January 2019

(iii) Appointed with effect from 28 March 2018

(iv) Resigned with effect from 15 August 2019

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

14. FIVE HIGHEST PAID EMPLOYEES

One director was included in the five highest paid employees during the year (2018: one), details of whose remuneration are set out in note 13 above. Details of the remuneration for the year for the remaining four (2018: four) highest paid employees who are not directors of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**1,610**	1,680
Discretionary bonuses	**50**	80
Pension scheme contributions	**49**	33
	1,709	1,793

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

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**4**	4

15. (LOSS)/EARNINGS PER SHARE

For continuing operations

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$447,284,000 (2018: HK$552,809,000), and the weighted average number of ordinary shares of 5,943,745,741 (2018: 5,943,745,741) in issue during the year.

From discontinued operations

The basic and diluted earnings per share from the discontinued operations are HK0.11 cents (2018: HK0.60 cents). The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$6,524,000 (2018: HK$35,738,000), and the weighted average number of ordinary shares of 5,943,745,741 (2018: 5,943,745,741) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution for continuing operations, from continuing and discontinued operations, and from discontinued operations respectively as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

From continuing and discontinued operations

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$440,760,000 (2018: HK$517,071,000), and the weighted average number of ordinary shares of 5,943,745,741 (2018: 5,943,745,741) in issue during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Owned properties HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2018	54,649	1,024	99,840	8,271	51,113	8,839	223,736
Exchange adjustment	(2,259)	(2)	1,360	(858)	846	(530)	(1,443)
Additions	–	–	–	2,289	1,484	1,516	5,289
Disposals	–	–	–	(296)	(9,526)	–	(9,822)
Disposal of subsidiaries (note 46)	(19,575)	(729)	(44,533)	(3,737)	(27,793)	(7,379)	(103,746)
At 31 December 2018	32,815	293	56,667	5,669	16,124	2,446	114,014
Exchange adjustment	(1,805)	–	–	757	–	–	(1,048)
Additions	–	–	–	18	609	–	627
Reclassified as held for sale	(8,761)	–	(2,405)	–	–	–	(11,166)
Disposal of subsidiaries (note 46)	(22,249)	(142)	(54,262)	(5,114)	(9,839)	(2,446)	(94,052)
At 31 December 2019	**–**	**151**	**–**	**1,330**	**6,894**	**–**	**8,375**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2018	(37,085)	(771)	(98,447)	(8,040)	(37,125)	(2,372)	(183,840)
Depreciation provided for the year	(921)	(30)	(2,278)	(639)	(2,680)	–	(6,548)
Impairment loss in profit or loss	–	–	(2)	–	–	–	(2)
Elimination on disposals	–	–	–	280	6,909	–	7,189
Elimination on disposal of subsidiaries (note 46)	16,496	649	44,434	3,014	24,418	671	89,682
At 31 December 2018	(21,510)	(152)	(56,293)	(5,385)	(8,478)	(1,701)	(93,519)
Depreciation provided for the year	(1,082)	(30)	(194)	(689)	(682)	–	(2,677)
Impairment loss in profit or loss	–	–	(312)	(4)	(23)	–	(339)
Reclassified as held for sale	6,501	–	2,993	–	–	–	9,494
Elimination on disposal of subsidiaries (note 46)	16,091	48	53,806	4,920	5,095	1,701	81,661
At 31 December 2019	–	(134)	–	(1,158)	(4,088)	–	(5,380)
CARRYING VALUES							
At 31 December 2019	**–**	**17**	**–**	**172**	**2,806**	**–**	**2,995**
At 31 December 2018	**11,305**	**141**	**374**	**284**	**7,646**	**745**	**20,495**

The directors had conducted impairment testing on the Group's property, plant and equipment, and they considered that the carrying amounts of certain plant and equipment are in excess of their recoverable amounts as a result of the continuing operating losses of certain subsidiaries. Accordingly, a provision for impairment of HK$339,000 (2018: HK$2,000) (note 11) was charged to the consolidated statement of profit or loss during the year ended 31 December 2019.

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
As at 1 January 2019	
Carrying amount	12,807
As at 31 December 2019	
Carrying amount	2,448
For the year ended 31 December 2019	
Depreciation charge	3,876
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	385
Total cash outflow for leases	4,238

For both years, the Group leases various properties for its operations. Lease contracts are entered into for fixed term of one to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Details of the lease maturity analysis of lease liabilities are set out in note 36.

The Group regularly entered into short-term leases for staff quarters. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

18. PREPAID LAND LEASE PAYMENTS

Analysed for reporting purpose as:

	2018 HK$'000
Current asset (included in prepayments)	201
Non-current asset	6,466
	6,667

19. INVESTMENT PROPERTIES

The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of one year, with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	HK$'000
Carrying amount 1 January 2018	2,047,200
Net decrease in fair value recognised in profit and loss	(245,912)
Exchange adjustments	(94,024)
Carrying amount at 31 December 2018 and 1 January 2019	1,707,264
Net decrease in fair value reclassified in profit and loss	(140,790)
Reclassified as held for sale (Note 11)	(1,519,280)
Exchange adjustments	(27,482)
Carrying amount at 31 December 2019	**19,712**

The Group's investment properties consist of five (2018: five) commercial properties and several carparks in the PRC. The directors of the Company have determined that the investment properties consist of only one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. During the year ended 31 December 2019, four commercial properties and car parks were reclassified as held for sale. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Roma Appraisals Limited, independent qualified professional valuer, at HK$1,538,992,000 (including those classified as disposal group held for sale) (2018: HK$1,707,264,000). Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2019, the Group's investment properties with an aggregate carrying value of HK$1,519,280,000 (including those classified as disposal group held for sale) (2018: HK$1,687,200,000) were pledged as security for the Group's certain bank loans as further detailed in note 38 to the financial statements.

19. INVESTMENT PROPERTIES (continued)

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using	
	Significant unobservable inputs (Level 3)	**Total**
	HK$'000	**HK$'000**
Commercial properties	**1,538,992**	**1,538,992**

	Fair value measurement as at 31 December 2018 using	
	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000
Commercial properties	1,707,264	1,707,264

There were no transfers of fair value measurements between Level 2 and Level 3 in both years.

The fair values of the investment properties were determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties. The weighted average range of the adjusted price per square meter is HK$21,805 to HK$106,137 for properties located in Shanghai and classified as disposal group held for sale and HK$36,633 to HK$37,953 for the remaining property located in Beijing. (2018: HK$16,080 to HK$101,232 for properties located in Shanghai and HK$37,287 to HK$39,332 for the property located in Beijing).

The Group has determined that the highest and best use of the commercial properties at the measurement date would be to convert those properties for residential purpose. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting. For strategic reason, the properties are not being used in this manner.

A significant increase/(decrease) in the adjusted price per square feet would result in a significant increase (decrease) in the fair value of the investment properties.

20. GOODWILL

	Note	2019 HK$'000	2018 HK$'000
COST			
At 1 January		**133,774**	235,590
Disposal of subsidiaries	46	**(72,068)**	(101,816)
At 31 December		**61,706**	133,774
IMPAIRMENT			
At 1 January		**104,489**	203,188
Eliminated on disposal of subsidiaries	46	**(64,839)**	(99,030)
Impairment loss recognised in the year		**22,056**	331
At 31 December		**61,706**	104,489
CARRYING VALUES			
At 31 December		**–**	29,285

21. INTANGIBLE ASSETS

	Land development contracts HK$'000	Franchise HK$'000	Total HK$'000
COST			
At 1 January 2018 and 31 December 2018	964,000	896	964,896
Disposal of subsidiaries (note 46)	–	(896)	(896)
At 31 December 2019	**964,000**	**–**	**964,000**
AMORTISATION AND IMPAIRMENT			
At 1 January 2018	–	224	224
Charge for the year	–	47	47
Impairment loss recognised in the year	423,816	–	423,816
Exchange adjustments	–	33	33
At 31 December 2018	423,816	304	424,120
Charge for the year	–	46	46
Impairment loss recognised in the year	315,184	–	315,184
Disposal of subsidiaries (note 46)	–	(363)	(363)
Exchange adjustments	–	13	13
At 31 December 2019	**739,000**	**–**	**739,000**
CARRYING VALUES			
At 31 December 2019	**225,000**	**–**	**225,000**
At 31 December 2018	540,184	592	540,776

21. INTANGIBLE ASSETS (continued)

As at 31 December 2019, there is an amount of HK$225,000,000 (2018: HK$540,184,000) intangible assets in respect of land development contracts in relation to the land development of 中部濱海新城 (New Central Coastal City) (the "**Project Land**") and construction work of 融港大道 (Ronggang Boulevard) (collectively referred to as the "**Project**"). AVIC International (Fujian) Industrial Co., Ltd. ("**AVIC Fujian**"), a subsidiary of the Group, together with two parties formed a joint committee to manage the Project.

In February 2013, AVIC Fujian and Fuqing City Municipal Government (the "**Fuqing Government**") entered into the Master Investment and Construction Co-operation Agreement ("**MICCA**"). Pursuant to the MICCA, the Fuqing City Municipal Government is responsible for land planning, securing land, relocating residents and ensuring that all requisite legal and other necessary approvals. AVIC Fujian is primarily responsible for funding and managing (i) the development work associated with the Project Land to meet the land sale requirement; and (ii) the construction of Ronggang Boulevard.

In November 2017, the Fuqing Government issued a notice to AVIC Fujian together with the two parties of the joint committee of the Project, pursuant to which, the Fuqing Government (i) terminated the MICCA, (ii) revoked the land development right in the Project Land, and (iii) allowed AVIC Fujian or the joint committee to proceed the negotiation with the Fuqing Government on the compensation due to the termination of the MICCA (the "**Notice**"), on the grounds that the MICCA violates certain rules and regulations in the PRC, namely《中華人民共和國招投標法》,《中華人民共和國預算法》,《國務院辦公廳關於規範國有土地使用權出讓收支管理的通知》,《財政部、國土資源部、中國人民銀行<關於印發國有土地使用權出讓收支管理辦法>的通知》and《中華人民共和國擔保法》and therefore, the Fuqing Government is unable to execute the MICCA. The Group took several measures including the continuous negotiation with the Fuqing Government and the filing of appeal in May 2018 to the Higher People's Court of Putian Municipality (莆田市中級人民法院) (the "**Higher People's Court**"), aiming to request the Fuqing Government to continue to execute the MICCA in accordance with the terms of the agreement. During the year ended 31 December 2019, the Higher People's Court had processed the case. Decision has not been reached up to the date of this report and the Court allowed more time for negotiation between Fuqing Government and AVIC Fujian. The directors of the Company, having sought legal advice, considered that the Fuqing Government does not have sufficient legal grounds to terminate the MICCA and are in the opinion that the Group will succeed in the appeal. Taking into account of the possible outcome of the appeal, the estimated shorten period of the Project and the decrease in the expected profit margin in the Project, the Group recognised an impairment loss of HK$315,184,000 (2018: HK$423,816,000) in the consolidated statement of profit or loss for the year ended 31 December 2019.

In respect of the impairment recognised, the Group made reference to the recoverable amount of the land development service CGU based on the business valuation of 100% equity interest Spotwin Investment Limited ("**Spotwin**"), the holding company of AVIC Fujian (together with Spotwin, the "**Spotwin Group**"), of RMB201,000,000, equivalent to approximately HK$225,000,000 (2018: RMB472,000,000, equivalent to approximately HK$540,184,000) as at 31 December 2019 pursuant to a business valuation report (the "**Business Valuation Report**") issued by an independent professional valuer, Roma Appraisals Limited (the "**Valuer**"), and compared the carrying amount of intangible assets in respect of the Project.

21. INTANGIBLE ASSETS (continued)

Valuation method

Under HKAS 36, the recoverable amount of the relevant assets is measured based on the higher of fair value less costs of disposal and value in use.

Taking into account the operating and industry environment of the Spotwin Group and the nature of its business, the Group measured the recoverable amount of land development service CGU based on fair value less costs of disposal using the discounted cash flow ("**DCF**") method under the income-based approach which is categorised under level 3 fair value hierarchy and it was adopted by the Valuer in assessing the market value of 100% equity interest of the Spotwin Group. The market-based approach was not adopted since valuation multiples derived from guideline companies and transactions might not reflect the risk and return characteristics of the Project. The asset-based approach was also not adopted because it could not capture the future earning potential of the Spotwin Group.

Details of value of inputs

The discount rate is one of the key factors for the market value calculation of the Spotwin Group.

The discount rate is estimated by using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the Spotwin Group.

Accordingly, the discount rate of 19.65% (2018: 20.40%) was adopted as at 31 December 2019 and the market value of 100% equity interest of the Spotwin Group i.e. the recoverable amount of the land development service CGU was calculated as RMB201,000,000, equivalent to approximately HK$225,000,000 (2018: RMB472,000,000, equivalent to approximately HK$540,184,000) as at 31 December 2019.

Basis and assumptions

The Valuer has taken into account the major factors including (i) the nature and prospect of the Spotwin Group; (ii) the financial information of the Spotwin Group; (iii) the terms and conditions set out in the MICCA; (iv) the business plan of the Spotwin Group; (v) the economic outlook in general and specific economic environment and market elements affecting the business, industry and market; (vi) the business risks of the Spotwin Group; and (vii) the investment returns and market transactions of entities engaged in similar lines of business; and (viii) expected decrease in profit margin.

The Valuer has also taken into account the major assumptions of both the optimistic and pessimistic scenarios regarding the Appeal. The optimistic scenario represents that the Group succeeds in the Appeal and operates till the end of the contract, while the pessimistic scenario represents that the Group fails in the Appeal and shuts down the business with receiving the working capital employed.

There were no significant changes in the valuation method adopted in the Business Valuation Report from those adopted in the previous years. However, the value of the inputs and assumptions have been changed after taking into account of the circumstances as detailed above.

22. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to the following cash-generating units ("**CGU**") of (i) the gas refueling station operation; (ii) the provision of finance lease and loan services; and (iii) the provision of land development services.

The carrying amounts of goodwill allocated to these units are as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Gas refueling station operation	**–**	7,229
Finance lease and loan services	**–**	22,056
Land development services	**–**	–
	–	29,285

Gas refueling station operation CGU

As at 31 December 2018, the recoverable amounts of the gas refueling station operation cash-generating units have been determined based on fair value less costs of disposal using market approach which is categorised under level 3 of fair value hierarchy. During the year ended 31 December 2018, management of the Group determine that there was no impairment on the gas refueling station operation. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the gas refueling station operation cash-generating unit to exceed the aggregate recoverable amount of the gas refueling station operation cash-generating unit.

During the year ended 31 December 2019, goodwill from gas refueling station with a carrying amount of HK$7,229,000 was derecognised upon the disposal of subsidiaries (note 46(a)).

Finance lease and loan service CGU

The recoverable amount of the provision of finance lease and loan service cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 5-year period with reference to the average contract periods of the existing finance lease arrangements. The discount rate applied to cash flow projections is 16.80% (2018: 16.03%). Cash flows beyond 5-year period are extrapolated using a steady 3% (2018: 3%) growth rate. During the year ended 31 December 2019, the recoverable amount of the finance lease and loan service CGU was assessed to be less than the carrying amount due to the challenges and uncertainties resulting from the strategy adjustment in the future development of this CGU by the Group. The management determined an impairment loss of HK$22,056,000 (2018: HK$nil) for the year. No impairment of the other assets in this CGU is considered necessary as there is no other material assets subject to impairment in this CGU.

Land development service CGU

The recoverable amount of the provision of land development service cash-generating unit has been determined based on the present value of contract income attributable to the subject land development contract covering a 5-year period by applying a discount rate representing the weighted average cost of capital required under Multi-Period Excess Earnings Method for the land development project. The discount rate applied to cash flow forecast is 19.65% (2018: 20.40%) approved by senior management. An impairment loss of HK$nil was recognised for the year ended 31 December 2019 (2018: HK$331,000).

The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill are as follows:

Forecast revenue and budgeted gross margins – The basis used to determine the value assigned to the forecast revenue and budgeted gross margins is the past performance of the unit, market selling prices of the adjacent lands and management's expectations of market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

23. INVESTMENTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Cost of investment in joint ventures	**22,500**	22,500
Share of post-acquisition profits and other comprehensive income	**37,118**	42,749
	59,618	65,249

Except for the amount of HK$31,366,000 (2018:56,282,000) are finance lease receivables from joint ventures, the remaining balances of amounts due from joint ventures of HK$97,028,000 (2018: HK$102,358,000) and loans from joint ventures of HK$13,343,000 (2018: HK$8,736,000) included in current assets and current liabilities, respectively, are non-trade nature, unsecured, interest-free and have no fixed terms of repayment. Details of impairment assessment for amounts due from joint ventures (non-trade) are set out in note 48.

Details of the finance lease receivables from joint ventures are disclosed as follows:

	Minimum lease payments 2019 HK$'000	Present value of minimum lease payments 2019 HK$'000
Finance lease receivables comprise:		
Within one year	**33,450**	**31,366**
	33,450	**31,366**
Less: unearned finance income	**(2,084)**	
Present value of minimum lease payments	**31,366**	
Analysed for reporting purposes as:		
Current assets	**31,366**	
Non-current assets	**–**	
	31,366	

The finance lease receivables are denominated in Renminbi ("**RMB**"), which is the functional currency of the relevant group entity.

Finance lease receivables are secured over the plant and machinery leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

As at 31 December 2019, the Group's finance lease receivables due from joint ventures with an aggregate carrying amount of HK$31,366,000 (2018: HK$56,282,000) were pledged as security for the Group's certain bank loans, as further detailed in note 38 to the consolidated financial statements.

Effective interest rates of the above finance leases range from 10% to 12% per annum for both years.

23. INVESTMENTS IN JOINT VENTURES

Particulars of the Group's joint ventures at the end of the reporting period, which are held indirectly through wholly-owned and non-wholly-owned subsidiaries of the Company, are as follows:

Name	Country of incorporation/ registration and principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
		2019	2018	**2019**	2018	
Jia Lian International Limited ("**Jia Lian**")	British Virgin Islands	**45%**	45%	**45%**	45%	Investment holding
Sinogas Chengdu Company Limited ("**Sinogas Chengdu**")	PRC/Mainland China	**N/A (Note)**	N/A (Note)	**N/A (Note)**	N/A (Note)	Operation of gas refuelling stations

The Group holds 45% of the issued share capital of Jia Lian. However, under a Shareholders' agreement, the group and the another shareholder jointly controls the composition of the board of directors of Jia Lian. Therefore, Jia Lian is classified as joint ventures of the Group.

Note: During the year ended 31 December 2018, the Group had disposed its entire interest in Sinogas Chengdu which resulted in a gain on disposal of a joint venture of HK$8,537,000.

The following table illustrates the summarised financial information in respect of Jia Lian adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2019 HK$'000	2018 HK$'000
Bank balances and cash	**51,205**	51,550
Other current assets	**74,785**	69,732
Current assets	**125,990**	121,282
Property, plant and equipment	**12,432**	1,254
Finance lease receivables	**365,043**	498,492
Non-current assets	**377,475**	499,746
Financial liabilities, excluding trade and other payables	**(121,116)**	(123,446)
Other current liabilities	**(143,749)**	(159,548)
Current liabilities	**(264,865)**	(282,994)
Non-current liabilities	**(124,943)**	(210,898)
Net assets	**113,657**	127,136
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**45%**	45%
Proportion of net assets of the Group's ownership	**51,146**	57,211
Others	**8,472**	8,038
Carrying amount of the investment at 31 December	**59,618**	65,249
Revenue	**81,885**	109,212
(Loss)/profit and total comprehensive (expense)/income for the year	**(12,513)**	31,490

23. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Sinogas Chengdu adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	Year ended 31 December 2018 HK$'000
Revenue	22,893
Interest income	5
Depreciation and amortisation	(5,304)
Interest expenses	(1,679)
Tax	(15)
Loss and total comprehensive expense for the period	(11,323)

24. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
Listed investments:		
– Equity securities listed in fair value	–	16,622

The investment represents an investment in the equity securities of Peace Map Holding Limited ("**Peace Map**") (Stock Code: 402), a company whose shares are listed on the Stock Exchange.

As at 31 December 2019, the Group's shareholding in Peace Map maintained at 6.8% (2018: 6.8%). A decrease in fair value of HK$16,622,000 (2018: HK$42,111,000) has been recognised in other comprehensive income during the year.

These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instrument as at FVTOCI upon application of HKFRS 9 as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

25. OTHER ASSET

The other asset represents a golf club membership. Management considers that no impairment is identified with reference to the market price of the club membership. During the year ended 31 December 2019, the Group has disposed the golf club membership and resulted in a gain on disposal of other asset of HK$3,195,000.

26. FINANCE LEASE RECEIVABLES

The Group provides finance leasing services on equipment in Mainland China. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

The majority of lease contracts are with guaranteed residual values. As at 31 December 2019 and 2018, unguaranteed residual values of assets leased under finance leases are immaterial.

26. FINANCE LEASE RECEIVABLES (continued)

For the year ended 31 December 2019, the finance lease receivables increased due to enter of new finance lease contract.

	Minimum lease payments		Present value of minimum lease payments	
	2019 **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000
Finance lease receivables comprise:				
Within one year	**100,716**	12,412	**93,674**	8,807
In the second year	**27,726**	12,412	**25,791**	9,786
In the third year	**22,804**	9,493	**21,544**	7,773
In the fourth year	**2,541**	6,192	**1,918**	4,781
	153,787	40,509	**142,927**	31,147
Less: unearned finance income	**(10,860)**	(9,362)		
Present value of minimum lease payments	**142,927**	31,147		
Less: impairment loss	**(3,000)**	–		
	139,927	31,147		
Analysed for reporting purposes as:				
Current assets	**90,674**	8,807		
Non-current assets	**49,253**	22,340		
	139,927	31,147		

The Group's finance lease receivables are denominated in RMB, which is the functional currency of the relevant group entity.

Finance lease receivables are secured over the plant and machinery leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

As at 31 December 2019, the Group's finance lease receivables with an aggregate carrying amount of HK$139,927,000 (2018: HK$31,147,000) were pledged as security for the Group's certain bank loans, as further detailed in note 38 to the consolidated financial statements.

Effective interest rates of the above finance leases range from 6% to 9.3% (2018: 8.4% to 9.3%) per annum.

27. TRADE RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables – contracts with customers	**56,134**	65,090
Less: Allowance for credit losses	**(34,889)**	(33,653)
	21,245	31,437

27. TRADE RECEIVABLES (continued)

For the sale of CNG and petroleum products, the Group's trading term with its retail customers is in cash, and for its corporate customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 to 120 days, extending up to 180 days for major customers. Each corporate customer has a maximum credit limit.

On 13 September 2019, the Group has completed the disposal of Crystal concept, which carried out all of the Group's sales of CNG and petroleum products operations. Accordingly, the trade receivables as at 31 December 2019 are all relating to the provision of land development services and sales of construction materials. The credit period is generally 90 days.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

As at 31 December 2019, certain trade receivables with an aggregate carrying amount of HK$nil (2018: HK$1,757,000) were pledged to secure a loan advanced from a third party as set out in note 38 to the financial statements.

An aging analysis of the gross trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 **HK$'000**	2018 HK$'000
0 to 90 days	–	3,714
91 to 120 days	–	1
121 days to 1 year	–	5
Over 1 year	**56,134**	61,370
	56,134	65,090

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$21,245,000 (2018: HK$27,722,000) which are past due as at the reporting date. Out of the past due balances, HK$21,245,000 (2018: HK$27,722,000) has been past due 90 days or more and is not considered as in default since the management considered the past due balances can be repaid based on repayment history.

Details of impairment assessment for trade receivables are set out in note 48.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Prepayments	**11,622**	16,307
Deposits and other receivables	**5,983**	69,656
	17,605	85,963
Impairment	**–**	(26,763)
	17,605	59,200
Non-current portion	**(229)**	(5,285)
Current portion	**17,376**	53,915

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustment are set out in note 2.

The financial assets included in the above balances which are not considered to be impaired relate to receivables for which there was no recent history of default and are neither past due nor impaired.

Details of impairment assessment for other receivables are set out in note 48.

29. PROMISSORY NOTES RECEIVABLE

The promissory note was issued during the year ended 31 December 2017 with an original maturity date of 15 June 2018. During the year ended 31 December 2018, the settlement date of PN4 has extended and the maturity date is 15 June 2019. During the year ended 31 December 2019, the Group is under negotiation with the promissory note holders of PN4 to extend maturity date and an impairment loss of HK$26,700,000 was recognised.

Interest rate	**2019** **HK$'000**	2018 HK$'000
2.15% per annum	**62,300**	89,000

Details of impairment assessment for promissory notes receivable are set out in note 48.

30. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS

Breakdown of balances with related companies is as follows:

	Notes	2019 HK$'000	2018 HK$'000
Loans from related companies			
AVIC International (HK) Group Limited	(i)	**148,013**	148,773
China Joy Airlines (HK) Holdings Limited	(ii)	**–**	213,750
Catic International Finance Limited	(iii)	**293,808**	126,079
北京凱財諮詢服務有限公司	(iv)	**–**	76,380
AVIC Joy Air (HK) Group Limited	(v)	**460,879**	–
幸福航空控股有限公司	(vi)	**119,905**	–
		1,022,605	564,982
Non-current portion		**(815,626)**	(564,982)
Current portion		**206,979**	–

The above related companies are entities whose ultimate holding company is Aviation Industry Corporation of China, Ltd., one of the substantial shareholders of the Company.

Notes:

(i) The loan is unsecured, bears interest at 5% per annum and is repayable in 2021.

(ii) The loan was unsecured, bears interest at 5.6% and the title to receive the repayment of such loan was transferred to AVIC Joy Air (HK) Group Limited.

(iii) The loan is unsecured, bears interest at 5.6% per annum. HK$206,734,000 is repayable in 2021 while the remaining balances will be repaid in 2020 (2018: unsecured, bears interest at 5.6% per annum and repayable in 2020).

(iv) The loan is unsecured, bears interest at 5.8% per annum and was classified as liabilities classified as disposal group held for sale (2018: repayable in 2020).

(v) The loan is unsecured, bears interest at 5.6% & 5% per annum and is repayable in 2021.

(vi) The loan is unsecured, non-interest bearing and is repayable in 2020.

The loans from non-controlling shareholders are unsecured, non-interest bearing and repayable in 2020 (2018: bear interest at 5% per annum and repayable in 2020).

Breakdown of balances with non-controlling shareholders is as follows:

	2019 HK$'000	2018 HK$'000
Loans from non-controlling shareholders		
Sanmax Investment Limited*	**–**	275,552
Kingfun Investment Limited	**16,637**	16,675
Yada Investment Limited	**15,552**	15,552
	32,189	307,779

* Note: The title to receive the repayment of such loan was transferred to AVIC Joy Air (HK) Group Limited.

31. INVENTORIES

	2019 HK$'000	2018 HK$'000
CNG	–	11

32. CONTRACT COSTS

	2019 HK$'000	2018 HK$'000
Pre-contract/setup costs to fulfill contracts relation to land development services incurred to date	285,352	289,918

Contract costs capitalised relate to the construction costs in relation to land development services incurred up to date.

33. BANK BALANCES AND CASH

	2019 HK$'000	2018 HK$'000
Bank balances and cash	33,051	40,484

At the end of the reporting period, the bank balances and cash of the Group denominated in RMB amounting to HK$30,392,000 (2018: HK$39,525,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

34. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Within 90 days	–	7,548
91 to 120 days	–	1
Over 120 days	8,550	1,171
	8,550	8,720

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

35. OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	HK$'000
Other payables and accruals	**30,664**	61,318
Loan interest payables to related companies	**91,928**	37,794
Loan interest payables on other borrowings	**4,895**	742
	127,487	99,854

Note: Other payables and accruals are non-interest-bearing and have an average repayment term of three months to one year.

36. LEASE LIABILITIES

	2019
	HK$'000
Lease liabilities:	
Within one year	**1,492**
Within a period of more than one year but not more than two years	**833**
Within a period of more than two years but not more than five years	**71**
	2,396
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,492)**
Amount due for settlement after 12 months shown under non-current liabilities	**904**

37. CONVERTIBLE BONDS

The convertible bonds issued are split into the liability and equity components and the movements in the convertible bonds are analysed as follows:

	2019 HK$'000	2018 HK$'000
Nominal value		
At 1 January	–	191,776
Derecognition and transferred during the year	–	(191,776)
At 31 December	–	–
Liability components		
At 1 January	–	182,011
Repayment during the year (note a)	–	(38,728)
Transfer to other borrowings (notes b & c)	–	(140,000)
Interest expense	–	15,882
Interest paid	–	(19,165)
At 31 December	–	–
Equity component		
At 1 January	–	61,314
Transfer to accumulated losses upon maturity of convertible bonds	–	(61,314)
At 31 December	–	–
Convertible bonds, liability components	–	–
Current portion	–	–
Non-current portion	–	–

37. CONVERTIBLE BONDS (continued)

On 6 March 2012 (extended to 6 March 2015), and 17 November 2016, the Group issued convertible bonds with principal amounts of HK$51,776,000, and HK$140,000,000 respectively. The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion prices of HK$0.23(adjusted), and HK$0.14 per share, respectively, any time after the issuance of the convertible bonds. Any convertible bond not converted will be redeemed at par in three years, two years, two years and two years, respectively, after the dates of issuance or will be further extended as agreed between the bondholders and the Group. The convertible bonds bear interest at 2%, and 4% per annum, respectively, and are payable semi-annually or annually in arrears or at the maturity date or the conversion date (as the case may be).

(a) On 20 January 2015, the Company and a bondholder, Billirich Investment Limited, entered into a deed of amendment pursuant to which the maturity date of the convertible bond with a principal amount of approximately HK$51,776,000 was extended for three years from 6 March 2015 to 6 March 2018. No other terms and conditions of such convertible bond had been amended. Further details were set out in the Company's circular dated 9 February 2015. On 6 March 2018, the Company redeemed the above convertible bond in full upon maturity. Further details are set out in the Company's announcement dated 6 March 2018.

(b) During the year of 2018, the convertible bonds held by 2 bondholders with total principal amount of HK$56,000,000, which remained unexercised upon maturity in 17 November 2018, has been agreed with the Company to repay on 17 November 2019 with interest at 5.2% per annum. The balances of HK$56,000,000 has been transferred to other borrowings accordingly. The equity portions of the corresponding convertible bonds were released to the accumulated losses in the consolidated statement of changes in equity.

(c) The convertible bonds with principal amount of HK$84,000,000 remained unexercised upon maturity in 17 November 2018 for further repayment arrangement. The balances is considered as past due and repayable on demand. It was transferred to other borrowings during the year ended 31 December 2018. The equity portions of the corresponding convertible bonds were released to the accumulated losses in the consolidated statement of changes in equity upon maturity. As at the date of this report, the Company received repayment demand letters from the legal advisers of the bondholders of these convertible bonds requesting the Company to repay the outstanding amounts. The Company is making its best endeavors to negotiate the repayment schedule with these bondholders.

The fair values of the liability components were estimated at the issuance dates using equivalent market interest rates for similar bonds without a conversion option. The residual amounts were assigned as the equity components and are included in shareholders' equity.

38. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019				2018			
	Variable interest rate (%)	**Fixed interest rate (%)**	**Maturity**	**HK$'000**	Variable interest rate (%)	Fixed interest rate (%)	Maturity	HK$'000
Current								
Bank borrowings – unsecured	**N/A**	**5.7–6.65**	**2020**	**6,720**	N/A	4.75–6.9	2019	280,440
Bank borrowings – secured (a)	**4.41–5.94**	**N/A**	**2020**	**111,914**	4.41–5.94	N/A	2019	66,213
Other borrowing – unsecured (c)	**N/A**	**5.2**	**on demand**	**84,000**	N/A	5.2	2019	48,000
Other borrowing – unsecured (c)	**N/A**	**N/A**	**N/A**	**–**	N/A	4	On demand	84,000
Other borrowing – secured (b)	**N/A**	**N/A**	**N/A**	**–**	N/A	36	On demand	8,920
				202,634				487,573
Non-current								
Bank borrowings – unsecured	**N/A**	**5.7–6.65**	**2021**	**155,680**	–	–	–	–
Bank borrowings – secured (a)	**4.41–5.94**	**N/A**	**2021–2032**	**40,181**	4.41–5.94	N/A	2020–2032	1,196,598
				195,861				1,196,598
				398,495				1,684,171

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank borrowings repayable:		
Within one year	**118,634**	346,653
In the second year	**176,889**	62,936
In the third to fifth year, inclusive	**18,972**	260,992
Over five years	**–**	872,670
	314,495	1,543,251
Other borrowings repayable:		
Within one year	**–**	48,000
Within one year – with repayable on demand clause	**84,000**	92,920
	84,000	140,920
	398,495	1,684,171
Less: Amounts shown under current liabilities	**(202,634)**	(487,573)
Amounts shown under non-current liabilities	**195,861**	1,196,598

Notes:

(a) Certain of the bank borrowings are secured by (i) the pledge of the Group's investment properties with a carrying amount of HK$nil (2018: HK$1,687,200,000) (note 19); and (ii) pledges of the Group's finance lease receivables with an aggregate carrying amount of HK$171,293,000 (2018: HK$87,429,000) (note 26).

(b) As at 31 December 2019, no other borrowing is secured by trade receivable (2018: HK$1,757,000, bears interests at 36% per annum and is repayable on demand) (Note 27).

(c) Please refer to note 37(c) for details.

(d) All bank borrowings are denominated in RMB and other borrowings are denominated in RMB and HK$.

39. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Temporary difference in respect of intangible assets HK$'000	Withholding taxes HK$'000	Total HK$'000
Deferred tax liabilities at 1 January 2018	241,000	733	241,733
Deferred tax credited to profit or loss during the year	(105,954)	(9)	(105,963)
Deferred tax liabilities at 31 December 2018 and 1 January 2019	135,046	724	135,770
Deferred tax credited to profit or loss during the year	(78,796)	–	(78,796)
Disposal of subsidiaries (note 46)	–	(492)	(492)
Deferred tax liabilities at 31 December 2019	56,250	232	56,482

At 31 December 2019, the Group had estimated tax losses arising in Hong Kong of approximately HK$146,235,000 (2018: HK$146,235,000) and in Mainland China of approximately HK$562,020,000 (2018: HK$432,476,000), which have not yet been agreed by the relevant local tax authorities, that are available indefinitely and for five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses, as in the opinion of the directors, they have arisen in subsidiaries that have been loss-making for some time.

At 31 December 2019, the Group has deductible temporary differences of approximately HK$79,248,000 (2018: HK$41,684,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be against which the deductible temporary differences can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%.

For the year ended 31 December 2019 and 2018, deferred tax liabilities were provided based on the forecasted dividend payout because the directors believe that certain PRC subsidiaries would not pay out all their earnings as dividends. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$18,877,000 (2018: HK$27,070,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

40. SHARE CAPITAL

	2019 HK$'000	2018 HK$'000
Issued and fully paid:		
5,943,745,741 ordinary shares	**2,234,815**	2,234,815

All the shares issued during the year rank pari passu in all respects with the existing shares.

A summary of movements in the Company's share capital is as follows:

	Number of share in issue	Share capital HK$'000	Total HK$'000
At 1 January 2018, 31 December 2018 and 31 December 2019	5,943,745,741	2,234,815	2,234,815

Details of the Company's share option scheme and the share options issued under the Company's expired share option scheme are included in note 41 to the financial statements.

41. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on 15 April 2005 and expired on 14 April 2015 upon the expiry of the 10-year period. No further options was granted but in all other aspects, the provisions of the Scheme shall remain in full force and effect, for options which were granted during the life of the Scheme, and may continue to be exercisable in accordance with their respective terms of issue.

For the sake of the continuity of a share option scheme for the Company to provide incentives and/or reward to the eligible participants including directors, business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees or sub-licensees, distributors, landlords or tenants or sub-tenants of the Company, or any person who, in the sole discretion of the Board, has contributed or may contribute to the Company. The Shareholders passed an ordinary resolution at the annual general meeting of the Company held on 25 June 2015 to approve the adoption of the new share option scheme (the "**New Share Option Scheme**") for 10 years period from its adoption date in substantially similar terms as those of the Scheme. Under the terms of the New Share Option Scheme, the Directors may, at their discretion, offer any eligible participants options to subscribe for shares subject to the terms and conditions stipulated in the New Share Option Scheme.

The maximum number of unexercised share options permitted to be granted under the New Share Option Scheme up to the date of this annual report is 593,624,574, that is, upon their exercise, equivalent to 10% of the shares of the Company in issue as at the date of the Company's annual general meeting on 25 June 2015. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

41. SHARE OPTION SCHEME (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and ends on a date which is not later than ten years from the date of grant of the share options but subject to the provisions for early termination of the New Share Option Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The movements in share options under the Scheme during the year are as follows:

	2019		2018	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.23**	**206,250**	0.23	215,230
Lapse during the year	**0.23**	**–**	0.23	(8,980)
At 31 December	**0.23**	**206,250**	0.23	206,250

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019

Number of options '000	**Grantees**	**Exercise price* HK$ per share**	**Exercise period**
206,250	Employees and consultants	0.227	31.8.2010 to 30.8.2020
206,250			

2018

Number of options '000	Grantees	Exercise price* HK$ per share	Exercise period
206,250	Employees and consultants	0.227	31.8.2010 to 30.8.2020
206,250			

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

41. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during 2012 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2012
Historical volatility (%)	50.33
Risk-free interest rate (%)	1.067
Expected exercise multiple	2
Expected life of options (year)	10
Share price at grant date (HK$ per share)	0.236

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be the actual outcome.

At the end of the reporting period, the Company had 206,250,000 (2018: 206,250,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 206,250,000 (2018: 206,250,000) additional ordinary shares of the Company and additional share capital of HK$46,819,000 (2018: HK$46,819,000) (before issue expenses).

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, the Company had 206,250,000 (2018: 206,250,000) share options outstanding under the Scheme, which represented approximately 3.5% (2018: 3.5%) of the Company's shares in issue as at that date.

42. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's reserve funds represent the Group's share of the statutory surplus reserve funds of certain subsidiaries operating as co-operative joint ventures/foreign investment enterprises in Mainland China. Pursuant to these subsidiaries' articles of association and the PRC Company Law, each of these subsidiaries shall make an allocation from its profit after tax at the rate of 10% to the statutory surplus reserve fund, until such reserve reaches 50% of its registered capital. Part of the statutory surplus reserve may be capitalised as the subsidiaries' registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the subsidiaries. The statutory reserve is non-distributable other than in the event of liquidation.

The special capital reserve represents the undertaking given by the Company (the "**Undertaking**") in connection with the capital reduction during the year ended 31 March 2000. The special capital reserve shall not be treated as realised profits and shall be treated as an undistributable reserve as long as there shall remain any outstanding debts or claims which were in existence on the date of the cancellation of the shares of the Company pursuant to the capital reduction, provided that the amount of the reserve may be reduced by the amount of any future increase in the share capital and the share premium account. Any part of the reserve so reduced is released from the terms of the Undertaking and the Company may apply that part so released as a distributable reserve.

The capital reserve represents the excess of consideration over the proportion of net assets held by non-controlling shareholders from the partial disposal of Spotwin Investment Limited, an indirect non-wholly-owned subsidiary of the Group in previous years.

43. OPERATING LEASES

The Group as lessor

The Group leases certain of its buildings and investment properties under non-cancellable operating lease arrangements, with leases negotiated for terms ranging from one to five years.

Minimum lease payments receivable on leases are as follows:

	2019 HK$'000
Within one year	**1,221**

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 HK$'000
Within one year	2,727
In the second to fifth year, inclusive	1,452
	4,179

The Group as lessee

The Group leases certain of its office premises, land, buildings and staff quarters under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging between one to twenty years. The minimum lease payments paid under operating leases during the year ended 31 December 2018 was HK$6,065,000.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000
Within one year	4,593
In the second to fifth year, inclusive	2,453
	7,046

44. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**1,746**	3,543

45. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2019** **HK$'000**	2018 HK$'000
Interest expenses to related companies	(i)	**31,808**	28,216
Interest expenses to non-controlling shareholders	(ii)	**5,646**	11,385
Interest income from joint ventures		**3,080**	7,360

Notes:

(i) The interest expenses paid to related companies whose ultimate holding company is one of the Company's substantial shareholders were charged at an interest rate ranging from 5% to 5.8% per annum.

(ii) The interest expenses paid to non-controlling shareholders were charged at interest rate of 5% per annum.

(b) Other transactions and outstanding balances with related parties:

Details of the Group's balances with joint ventures, non-controlling shareholders and related companies are included in the respective notes to the financial statements.

(c) Compensation of key management personnel of the Group:

	2019 **HK$'000**	2018 HK$'000
Short term employee benefits and total compensation paid to key management personnel	**832**	899

Further details of directors' and chief executives' emoluments are included in note 13 to the financial statements.

46. DISPOSAL OF SUBSIDIARIES

(a) On 12 July 2019, the Group entered into a share transfer agreement with a substantial shareholder of Chengdu Sinogas, an indirect non-wholly owned subsidiary of the Group, for the disposal of Crystal Concept. The net assets disposed of were as follows:

	Notes	**Total** HK$'000
Net assets disposed of:		
Property, plant and equipment	16	12,391
Intangible assets	21	533
Inventories		11
Trade receivables		5,265
Prepayments, deposits and other receivables		4,165
Balances with fellow subsidiaries, net		23,187
Right-of-use assets		6,361
Bank balances and cash		7,153
Trade payables		(2,965)
Other payables and accruals		(11,019)
Tax payable		(837)
Deferred tax liabilities	39	(492)
		43,753
Gain on disposal of subsidiaries:		
Consideration received		40,857
Net assets disposed of		(43,753)
Non-controlling interest		12,946
Attributable goodwill	20	(7,229)
Cumulative exchange differences reclassified from equity to profit or loss on lost of control of the subsidiaries		(2,603)
		218
Satisfied by:		
Cash		17,670
Waiver of intercompany debts		23,187
		40,857

An analysis of the cash flows in respect of the disposal of Crystal Concept is as follows:

	HK$'000
Cash consideration	17,670
Bank balances and cash disposed of	(7,153)
Net inflow of cash and cash equivalents included in cash flows from investing activities	10,517

46. DISPOSAL OF SUBSIDIARIES (continued)

(b) On 11 April 2018 and 15 November 2018, the Group entered into share transfer agreements with individual third parties for the disposal of: 1) Jetco Innovations Limited, Shandong Sinogas Company Limited and its subsidiaries and associates (collectively referred to as "**Shandong**") and 2) Sino Gas Group Hong Kong Limited, Sinogas (Xuzhou) Cleanly Fuel Co., Limited, Xuzhou Sinogas Bus Fuel Company Limited, Xuchang Sinogas Company Limited, Lucky Success Group Limited, Tide Link International Limited and Xuzhou Zhongyou Huijin Gas Company Limited (collectively referred to as "**Xuzhou**") respectively. The net (liabilities) assets disposed are as follows:

	Notes	**Shandong** HK$'000	**Xuzhou** HK$'000	**Total** HK$'000
Net (liabilities)/assets disposed of:				
Property, plant and equipment	16	6,473	7,591	14,064
Prepaid land lease payments		1,384	10,719	12,103
Inventories		1,869	553	2,422
Trade receivables		7,906	214	8,120
Prepayments, deposits and other receivables		955	13,127	14,082
Balances with non-controlling shareholders		–	246	246
Balances with fellow subsidiaries, net		11,460	1,517	12,977
Bank balances and cash		2,635	1,379	4,014
Trade payables		(11,866)	(196)	(12,062)
Other payables and accruals		(34,385)	(5,924)	(40,309)
Bank and other borrowings		–	(7,910)	(7,910)
		(13,569)	21,316	7,747
Gain on disposal of subsidiaries:				
Consideration received		29,325	17,337	46,662
Net liabilities/(assets) disposal of		13,569	(21,316)	(7,747)
Non-controlling interest		–	5,923	5,923
Attributable goodwill	20	–	(2,786)	(2,786)
Cumulative exchange differences reclassified from equity to profit or loss on lost of control of the subsidiaries		9,401	1,207	10,608
		52,295	365	52,660
Satisfied by:				
Cash		29,325	15,820	45,145
Waiver of intercompany debts		–	1,517	1,517
		29,325	17,337	46,662

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2018 HK$'000
Cash consideration	45,145
Bank balances and cash disposed of	(4,014)
Net inflow of cash and cash equivalents included in cash flows from investing activities	41,131

47. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

48. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Amortised cost	**219,601**	361,713
Equity instrument at FVTOCI	**–**	16,622
Financial liabilities		
Amortised costs	**1,586,949**	2,662,829

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, convertible bonds, loans from related companies and non-controlling shareholders and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables and finance lease receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

Foreign currency risk

The Group's transactions were mainly conducted in the functional currency of the respective group entities.

The carrying amounts of the Group's intra-group balances and loans from related companies denominated in currencies other than the functional currency of the relevant group entities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2019 **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000
United States Dollars ("**US$**")	**1,198**	43,200	**148,013**	147,253
RMB	**198,170**	828,198	**826,630**	290,000

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposures should the need arise.

48. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation of relevant foreign currency against HK$.

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currency against the functional currency of the relevant group entities. 5% represents the reasonably possible change in foreign exchange rates if currency risk is to be assessed by key management. The sensitivity analysis includes only outstanding relevant foreign currency denominated monetary items, except US$ as the directors of the Company consider that the Group's exposure to US$ is insignificant on the ground that HK$ is pegged to US$. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive/(negative) number below indicates an increase/(decrease) in pre-tax loss where the relevant foreign currency weakens 5% against HK$. For a 5% strengthening of the relevant foreign currency against HK$, there would be an equal and opposite impact on the loss.

	2019 **HK$'000**	2018 HK$'000
RMB impact	**(31,423)**	26,910

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, bank balances, amounts due from joint ventures, promissory note receivables and finance lease receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with finance lease receivables is mitigated because they are secured over the leased plant and equipment.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix.

The Group's concentration of credit risk by geographical locations is all in the PRC, which accounted for 100% of the total debtors for both years. The Group has concentration of credit risk with exposure limited to the business in provision of land development services and sale of construction materials. At the end of reporting period, the Group's largest trade receivables and the five largest trade receivables accounted for 85% (2018: 67%) and 100% (2018: 94%) of the total trade receivables, respectively. The Group does not have any other significant concentration of credit risk.

48. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Bank balances

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds are limited because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

Other than the concentration of the credit risk on trade receivables and bank balances, the Group do not have any other significant concentration of credit risk.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

48. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Bank balances (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2019 Gross carrying amount HK$'000	2018 Gross carrying amount HK$'000
Financial assets at amortised cost						
Amounts due from joint ventures	23					
– trade		N/A	Low risk	Lifetime ECL (individual assessment)	**31,366**	56,282
– non-trade		N/A	Low risk	12m ECL	**101,208**	102,358
Bank balances	33	AA+ to A	N/A	12m ECL	**34,024**	40,404
Other receivables	28	N/A	Low risk	12m ECL	**8,279**	42,152
			Loss	Credit-impaired	**–**	26,763
Promissory note receivable	29	N/A	Doubtful	12m ECL	**89,000**	89,000
Trade receivables	27	N/A	(Note)	Lifetime ECL (provision matrix)	**–**	3,720
		N/A	Doubtful	Lifetime ECL (individual assessment)	**56,134**	59,421
		N/A	Loss	Credit-impaired	**–**	1,949
Other items						
Finance lease receivables	26	N/A	(Note)	Lifetime ECL (individual assessment)	**142,927**	31,147

Note:

For trade receivables and finance lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables with significant outstanding balances or credit-impaired and all finance lease receivables, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status and internal credit rating for trade receivables and finance lease receivables, respectively.

48. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its business on selling CNG and petroleum products. It is because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances with gross carrying amounts of HK$56,134,000 as at 31 December 2019 (2018: Debtors with significant outstanding balances or credit impaired with gross carrying amounts of HK$59,421,000 and HK$1,949,000 respectively) were assessed individually.

Trade receivables

	2018	
	Average loss rate	Trade receivables HK$'000
Current (not past due)	0.10%	3,715
1–30 days past due	2.15%	5
At 31 December		3,720

Gross carrying amount

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2019, impairment allowance of HK$34,889,000 (2018: HK$31,704,000) was made on trade debtors with significant gross balances of HK$56,134,000 (2018: HK$59,421,000) which are assessed individually.

48. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Gross carrying amount (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2018	–	2,112	2,112
Changes due to financial instruments recognised as at 1 January:			
– Impairment losses recognised (Note)	31,704	–	31,704
– Disposal of subsidiaries	–	(291)	(291)
Exchange adjustments	–	128	128
As at 31 December 2018	31,704	1,949	33,653
Changes due to financial instruments recognised as at 1 January:			
– Impairment losses recognised (Note)	3,809	–	3,809
– Disposal of subsidiaries	–	(1,898)	(1,898)
Exchange adjustments	(624)	(51)	(675)
As at 31 December 2019	34,889	–	34,889

Note:

During the year ended 31 December 2019, increase in lifetime ECL (not credit-impaired) was due to significant delay in repayment for two significant balances trade debtors with total gross carrying amounts of HK$56,134,000 (2018: HK$59,421,000). Management has based on the past repayment pattern with forward looking information to determine the provision rate of ECL for these two debtors.

48. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Gross carrying amount (continued)

The following table shows the movement in lifetime ECL that has been recognised for finance lease receivables.

	Lifetime ECL (not credit-impaired) HK$'000	**Total** HK$'000
As at 1 January 2018 and 31 December 2018	–	–
New financial assets originated (Note)	3,000	3,000
As at 31 December 2019	3,000	3,000

Note:

Changes in the loss allowance for finance lease receivables during the year are mainly due to the increase in ECL arising from gross carrying amount of finance lease receivables of HK$120,587,000 at internal credit rating at low risk level, with an average loss rate of 2%.

The following table shows the movement in lifetime ECL that has been recognised for other receivables.

	Lifetime ECL (credit-impaired) HK$'000	**Total** HK$'000
As at 1 January 2018	46,752	46,752
Changes due to financial instruments recognised as at 1 January:		
– Impairment losses recognised	5,390	5,390
– Disposal of subsidiaries	(23,661)	(23,661)
Exchange adjustments	(1,718)	(1,718)
As at 31 December 2018	26,763	26,763
Changes due to financial instruments recognised as at 1 January:		
– Impairment losses reversed	(4,262)	(4,262)
– Disposal of subsidiaries	(13,940)	(13,940)
– Write-off (Note)	(6,777)	(6,777)
Exchange adjustments	(1,784)	(1,784)
As at 31 December 2019	–	–

Note:

Write-off in current year was due to the liquidation of counterparties.

48. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows the movement in 12m ECL that has been recognised for amounts due from joint ventures (non-trade).

	12m ECL HK$'000	**Total** HK$'000
As at 1 January 2018 and 31 December 2018	–	–
Changes due to financial instruments recognised as at 1 January:		
– Impairment losses recognised (Note)	4,000	4,000
As at 31 December 2019	4,000	4,000

Note:

Changes in the loss allowance for amounts due from joint ventures during the year are mainly due to the increase in ECL arising from gross carrying amount of amounts due from joint ventures of HKHK101,028,000 (non-trade) at internal credit rating at low risk level, with an average loss rate of 3%.

The following table shows the movement in 12m ECL that has been recognised for promissory note receivable.

	12m ECL HK$'000	**Total** HK$'000
As at 1 January 2018 and 31 December 2018	–	–
Changes due to financial instruments recognised as at 1 January:		
– Impairment losses recognised (Note)	26,700	26,700
As at 31 December 2019	26,700	26,700

Note:

Changes in the loss allowance for promissory note receivable during the year are mainly due to the increase in ECL arising from gross carrying amount of HK$89,000,000 at internal credit rating at doubtful level, with an average loss rate of 30%.

Liquidity risk

The Group's total liabilities exceed its total assets by approximately HK$347 million as at 31 December 2019.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, convertible bonds, finance leases and other fund raising activities in the capital market. The Group has detailed operating plans for future development and will also consider arranging necessary financing through fund raising activities in the capital market.

48. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Weighted average interest rate %	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flow HK$'000	Total HK$'000
2019								
Trade payables	**N/A**	**–**	**8,550**	**–**	**–**	**–**	**8,550**	**8,550**
Other payables	**N/A**	**96,823**	**14,944**	**–**	**–**	**–**	**111,767**	**111,767**
Loans from joint ventures	**N/A**	**13,343**	**–**	**–**	**–**	**–**	**13,343**	**13,343**
Loans from non-controlling shareholders	**5**	**–**	**32,323**	**–**	**–**	**–**	**32,323**	**32,189**
Loans from related companies	**5.67**	**–**	**–**	**209,472**	**864,957**	**–**	**1,074,429**	**1,022,605**
Interest-bearing bank and other borrowings	**5.36**	**84,000**	**21,489**	**119,965**	**201,281**	**–**	**426,735**	**398,495**
		194,166	**77,306**	**329,437**	**1,066,238**	**–**	**1,667,147**	**1,586,949**
Lease liabilities	**4.75**	**–**	**619**	**941**	**929**	**–**	**2,489**	**2,396**

	Weighted average interest rate %	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flow HK$'000	Total HK$'000
2018								
Trade payables	N/A	–	7,548	1,172	–	–	8,720	8,720
Other payables	N/A	–	88,441	–	–	–	88,441	88,441
Loans from joint ventures	N/A	8,736	–	–	–	–	8,736	8,736
Loans from non-controlling shareholders	5.00	–	–	–	353,946	–	353,946	307,779
Loans from related companies	5.67	–	–	–	645,168	–	645,168	564,982
Interest-bearing bank and other borrowings	5.36	93,920	25,273	468,442	381,362	1,060,596	2,029,593	1,684,171
		102,656	121,262	469,614	1,380,476	1,060,596	3,134,604	2,662,829

48. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Other borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2019, the aggregate carrying amounts of these other loans amounted to HK$84,000,000 (31 December 2018: HK$92,920,000). The loans are due immediately and the directors believe that such other loans will be repaid within one year after the end of the reporting period.

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, lease liabilities, loans from related companies and loans from non-controlling shareholders. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and RMB loan interest rate issued by the People's Bank of China arising from the Group's RMB denominated borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2018: 50 basis points) increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates on variable-rate bank borrowings (including those classified as disposal group held for sale) had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would have decreased/increased by approximately HK$6,419,000 (2018: HK$6,314,000).

(c) Fair value and fair value hierarchy of financial instruments

Management has assessed that the fair values of financial assets and liabilities at amortised cost approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

48. FINANCIAL INSTRUMENTS (continued)

(c) Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Asset measured at fair value:

As at 31 December 2019

		Fair value measurement using		
	Note	**quoted prices in active markets (Level 1) HK$'000**	**significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Equity instrument at FVTOCI	24	–	–	–

During the year ended 31 December 2019, there were transfer of fair value measurement from Level 1 to Level 3 for equity instrument at FVTOCI due to the disappearance of active market. The Fair value is considered as negligible because the entity is undergoing liquidation and the expected recovery of the instrument is estimated to be minimal.

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI HK$'000
At 1 January 2019	–
Transfer into level 3 (disappearance of active market)	16,622
Losses in other comprehensive income	(16,622)
At 31 December 2019	–

Include in other comprehensive income is an amount of HK$16,622,000 loss relating to the Financial assets at FVTOCI held at the end of current reporting period and is reported as changes of "investment revaluation reserve".

As at 31 December 2018

		Fair value measurement using		
	Note	quoted prices in active markets (Level 1) HK$'000	significant observable inputs (Level 2) HK$'000	Total HK$'000
Equity instrument at FVTOCI	24	16,622	–	16,622

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 for financial assets.

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Convertible bond	Lease liabilities/ finance lease payable	Interest bearing bank and other borrowings	Loans from non-controlling shareholders	Loans from joint ventures/ related companies	Loan interest payable to related companies and other borrowings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	182,011	1,128	1,793,771	296,509	380,989	18,137	2,672,545
Financing cash flows	(57,893)	(1,155)	(242,316)	–	202,459	(8,807)	(107,712)
Transfer to other borrowings	(140,000)	–	140,000	–	–	–	–
Foreign exchange movement	–	–	(78,724)	(115)	(9,730)	(601)	(89,170)
Interest expense	15,882	27	69,965	11,385	–	29,065	126,324
Amortisation of finance costs	–	–	1,475	–	–	–	1,475
At 31 December 2018	–	–	1,684,171	307,779	573,718	37,794	2,603,462
Adjustment upon application of HKFRS 16	–	6,088	–	–	–	–	6,088
At 1 January 2019 (restated)	–	6,088	1,684,171	307,779	573,718	37,794	2,609,550
Financing cash flows	–	(3,853)	(214,324)	–	293,367	(7,995)	67,195
Transfer	–	–	–	(275,552)	250,880	24,672	–
Reclassified to liabilities classified As disposal group held for sale	–	–	(1,131,704)	–	(75,040)	–	(1,206,744)
Foreign exchange movement	–	(48)	(29,221)	(38)	(6,977)	(887)	(37,171)
Interest expense	–	209	85,082	–	–	43,239	128,530
Amortisation of finance costs	–	–	4,491	–	–	–	4,491
At 31 December 2019	–	2,396	398,495	32,189	1,035,948	96,823	1,565,851

50. PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of ownership interest to the Company Directly 2019 %	Directly 2018 %	Indirectly 2019 %	Indirectly 2018 %	Principal activities
Excellent Top Group Limited	British Virgin Islands	US$1	**100**	100	**–**	–	Investment holding
Chengdu Sheng Yuan Natural Gas Company Limited*^+	PRC/Mainland China	RMB5,000,000	**–**	–	**–** **N/A**	38.5 (note a)	Operation of gas refueling stations
Chengdu Sinogas ^+	PRC/Mainland China	HK$20,000,000	**–**	–	**N/A**	70 (note a)	Operation of gas refueling stations
Chuang Jie Ran Qi (Chengdu) Company Limited^+	PRC/Mainland China	HK$30,000,000	**–**	–	**N/A**	91	Operation of gas refueling stations
Guangdong Zi Yu Tai Finance Leasing Company Limited#+	PRC/Mainland China	US$100,000,000	**–**	–	**100**	100	Provision of finance lease and loan services
Ontex Enterprises Limited*+	British Virgin Islands/ Hong Kong	US$100	**–**	–	**60**	60	Provision of land development and sale of construction materials
Shenzhen Sinogas Environmental Technology Co., Limited#+	PRC/Mainland China	RMB20,000,000	**–**	–	**100**	100	Investment holding
Spotwin Investment Limited*+	British Virgin Islands/ Hong Kong	US$100	**–**	–	**49.5 (note b)**	49.5 (note b)	Provision of land development and sale of construction materials
Shanghai Shangju	PRC/Mainland China	US$1	**–**	–	**100**	100	Provision of finance lease and loan services

* These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and are accordingly accounted for as subsidiaries by virtue of the Company's control in the boards of directors of these companies.

^ These subsidiaries are registered as co-operative joint ventures under PRC law.

These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

\+ The statutory financial statements of the subsidiaries were not audited by Deloitte Touche Tohmatsu or another member firm of the Deloitte Touche Tohmatsu global network.

Notes:

(a) Since the Group holds 70% of the issued share capital of Chengdu Sinogas through its wholly-owned subsidiary Crystal Concept, which holds 55% of the issued share capital of Chengdu Sheng Yuan Natural Gas Company Limited, so the group control the composition of the board of the directors of Chengdu Sheng Yuan Natural Gas Company Limited. Therefore it is classified as a subsidiary of the Group. During the year ended 31 December 2019, the Group has disposed of its entire equity interest in Crystal Concept and therefore all the interests held in Chengdu Sheng Yuan Natural Gas Company Limited and Chengdu Sinogas by the Group were disposed upon disposal of Crystal Concept.

(b) Since the group holds 60% of the issued share capital of Ontex Enterprises Limited, which directly and indirectly holds 32.5% and 50% of the issued share capital of Spotwin Investment Limited respectively, so the group control the composition of the board of the directors of Ontex Enterprises Limited. Therefore it is classified as a subsidiary of the Group.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

50. PRINCIPAL SUBSIDIARIES (continued)

None of the subsidiaries had issued any debt securities at the end of this year.

During the year, the Group entered into share transfer agreements with third party purchasers, to sell 100% interest in the issued share capital of certain wholly-owned subsidiaries. Details of the disposal are set out in note 46(a) to the financial statements.

The table below details of non-wholly owned subsidiary of the Group that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Ontex Enterprises Limited	British Virgin Islands	**50.5%**	50.5%	**(144,487)**	(181,075)	**35,358**	179,844
Individually immaterial subsidiaries with non-controlling interests	PRC/Mainland China			**282**	1,663	**–**	12,941
				(144,205)	179,412	**35,358**	192,785

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below.

The summarised financial information below represents amounts before intragroup eliminations.

	31 December 2019 HK$'000	31 December 2018 HK$'000
Ontex Enterprises Limited and its subsidiaries		
Current assets	**427,407**	400,012
Non-current assets	**265,206**	580,633
Current liabilities	**(642,016)**	(760,486)
Non-current liabilities	**(267,303)**	(190,457)
Equity attributable to owners of the Company	**(252,064)**	(150,142)
Non-controlling interests	**35,358**	179,844
Revenue	**–**	–
Expenses	**(285,721)**	(359,130)
Loss and total comprehensive expense for the year	**(285,721)**	(359,130)
Loss and total comprehensive expense attributable to the non-controlling interests	**(144,487)**	(181,075)

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**52**	141
Right-of-use assets	**714**	–
Investments in subsidiaries	**11,556**	76,599
Due from subsidiaries	**482,452**	794,659
Other asset	**–**	2,680
	494,774	874,079
CURRENT ASSETS		
Prepayments, deposits and other receivables	**2,420**	1,349
Amounts due from subsidiaries	**382,088**	627,465
Amounts due from joint ventures	**130**	130
Bank balances and cash	**1,230**	707
	385,868	629,651
TOTAL ASSETS	**880,642**	1,503,730
CURRENT LIABILITIES		
Other payables and accruals	**2,502**	2,304
Other payables – interest payable	**96,823**	37,671
Lease liabilities	**674**	–
Other borrowings	**84,000**	132,000
Loans from related companies	**87,074**	–
Amounts due to subsidiaries	**50,055**	94,510
	321,128	266,485
NET CURRENT ASSETS	**64,740**	363,166
TOTAL ASSETS LESS CURRENT LIABILITIES	**559,514**	1,237,245

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES		
Loans from related companies	**792,442**	509,943
Loan from a non-controlling shareholder	**–**	252,367
	792,442	762,310
NET (LIABILITIES)/ASSETS	**(232,928)**	474,935
CAPITAL AND RESERVE		
Share capital	**2,234,815**	2,234,815
Other reserves	**837,471**	837,471
Accumulated losses	**(3,305,214)**	(2,597,351)
	(232,928)	474,935

Wang Ying
Director

Mu Yan
Director

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

A summary of the Company's reserves is as follows:

	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Special capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	15,098	61,314	823,357	(2,551,122)	(1,651,353)
Loss and total comprehensive expense for the year	–	–	–	(108,527)	(108,527)
Transfer to accumulated losses upon maturity of convertible bonds	–	(61,314)	–	61,314	–
Transfer upon forfeiture of options	(984)	–	–	984	–
At 31 December 2018 and 1 January 2019	14,114	–	823,357	(2,597,351)	(1,759,880)
Loss and total comprehensive expense for the year	–	–	–	(707,863)	(707,863)
At 31 December 2019	14,114	–	823,357	(3,305,214)	(2,467,743)

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 4 to the consolidated financial statements. The amount will be transferred to the accumulated losses when the related options are exercised or forfeited, or expire.

52. MAJOR NON-CASH TRANSACTIONS

During the year, loan from China Joy Airlines (HK) Holdings Limited, a related company, amounted to HK$213,750,000 and loan from Sanmax Investment Limited, a non-controlling shareholder, amounted to HK$275,552,000 have been transferred to AVIC Joy Air (HK) Group Limited and interest payable to AVIC Joy Air (HK) Group Limited with amounts of HK$464,630,000 and HK$24,672,000 respectively as the title to receive the repayment of such loans was transferred to AVIC Joy Air (HK) Group Limited.

53. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, on 4 February 2020, the Group has entered into a equity transaction agreement with an independent third party for the disposal of its entire equity interest in Shanghai Shangju at a consideration of RMB337,010,000 (equivalent to approximately HK$374,081,000). The disposal has been completed as at the date of the consolidated financial statements were authorised for issuance. Upon completion of the disposal, Shanghai Shangju ceased to be a subsidiary of the Group.

(b) The outbreak of coronavirus disease (the "**COVID-19**") and the subsequent quarantine measures as well as travel restrictions imposed by many countries have had a severe negative impact on the operations of the Group, as most of the Group's operations are located in the Mainland China.

In addition, the operations of certain of the Group's customers and joint ventures are also located in the Mainland China, the outbreak of the COVID-19 is expected to have negative effect to these counterparties and joint ventures in different aspects, which in turn, may have negative impacts on the recoverability of the Group's trade receivables and other items that are subject to ECL assessment and also the carrying amounts of the Group's joint ventures.

Given the dynamic nature of these circumstances and unpredictability of future development, the directors of the Company considered that the financial effect on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue, but will be reflected in the Group's future financial statements.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below. This summary is not part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**62,419**	139,822	252,606	357,628	1,236,123
LOSS BEFORE TAX	**(663,395)**	(801,112)	(310,186)	(264,316)	(266,930)
Income tax credit/(expense)	**78,430**	104,629	(8,249)	(1,030)	(11,161)
LOSS FOR THE YEAR	**(584,965)**	(696,483)	(318,435)	(265,346)	(278,091)
Attributable to:					
Owners of the Company	**(440,760)**	(517,071)	(302,643)	(259,711)	(294,968)
Non-controlling interests	**(144,205)**	(179,412)	(15,792)	(5,635)	16,877
	(584,965)	(696,483)	(318,435)	(265,346)	(278,091)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,526,115**	3,088,674	4,058,098	4,292,751	4,979,131
Total liabilities	**(2,872,636)**	(2,813,238)	(2,993,002)	(2,960,235)	(3,304,122)
Non-controlling interests	**(35,358)**	(192,785)	(380,259)	(394,577)	(387,443)
	(381,879)	82,651	684,837	937,939	1,287,566

PARTICULARS OF INVESTMENT PROPERTIES

Details of the investment properties at the end of the reporting period are as follows:

Location	Use	Tenure	Attributable interest of the Group
Rooms 808–809, Jinma Building, Xue Qing Road, Hai Dian District, Beijing	Office	Medium term lease	100%
Rooms 101–102, 699 Xinhua Road, Xinhua Ja Li Building, Shanghai	Office	Medium term lease	100%
Rooms 103–106, 699 Xinhua Road, Xinhua Ja Li Building, Shanghai	Office	Medium term lease	100%
Rooms 201–208, 699 Xinhua Road, Xinhua Ja Li Building, Shanghai	Office	Medium term lease	100%
Block B, Tower 17, International Shipping Service Center, No. 18 Gong Ping Road, Shanghai	Office and carpark	Medium term lease	100%