EAGLE LEGEND ASIA LIMITED

鵬程亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 936)

ANNUAL REPORT

2019


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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Guo Peineng *(Deputy Chairman)*
Mr. Zhao Yi *(Chief Executive Officer)*
Mr. Chen Huajie

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Xu Xiaowu
Mr. Li Yongjun
Mr. Diao Yingfeng

COMPANY SECRETARY
Ms. Poon Yuk Ching Ada

AUTHORISED REPRESENTATIVES
Mr. Zhao Yi
Ms. Poon Yuk Ching Ada

PRINCIPAL BANKERS
Hong Kong
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
United Overseas Bank Limited
The Bank of East Asia, Limited
Singapore
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS
Ocorian Trust (Cayman) Limited
(formerly known as Estera Trust (Cayman) Limited)
P.O. Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDIT COMMITTEE
Mr. Xu Xiaowu *(Chairman)*
Mr. Li Yongjun
Mr. Diao Yingfeng

REMUNERATION COMMITTEE
Mr. Li Yongjun *(Chairman)*
Mr. Zhao Yi
Mr. Diao Yingfeng

NOMINATION COMMITTEE
Mr. Guo Peineng *(Chairman)*
Mr. Xu Xiaowu
Mr. Li Yongjun

REGISTERED OFFICE
P.O. Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 3610, 36/F., the Center,
99 Queen's Road Central,
Central, Hong Kong

AUDITOR
Grant Thornton Hong Kong Limited

WEBSITE
http://www.elasialtd.com

Listing Information
Place of Listing
Main Board of The Stock Exchange of Hong Kong Limited

Stock Code
936

Board lot
10,000 shares

Dear Shareholders,

I am pleased to present the annual results of Eagle Legend Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Year" or the "FY2019").

For the Year, the Group generated revenue from continuing operations of approximately HK$124.5 million (2018: approximately HK$108.3 million) with a loss for the year from continuing operations of approximately HK$65.5 million (2018: approximately HK$80.0 million). Revenue from discontinued operation recorded approximately HK$28.5 million with a profit from discontinued operation of approximately HK$81.8 million.

The growth in revenue and reduction of losses from the Group's continuing operations (i.e. our construction equipment business) have affirmed the Group's confidence and potential in the development of its principal construction business. Revenue from machinery sales of approximately HK$21.7 million was recorded for FY2019, which represented an increase of approximately 113.4% as compared to the year ended 31 December 2018 (the "FY2018"). The increase in machinery sales was mainly due to an increase in sales of large tonnage tower crane. The Group has introduced large tonnage tower cranes to meet the demand of its customers in Singapore, who have shifted to new tower cranes with heavier lifting capacity. The Group will remain committed to strengthening its investment in the existing Singapore and Hong Kong markets and consider continuing its purchase of large tonnage tower cranes to improve its market competitiveness. Revenue from service income increased from approximately HK$38.8 million for FY2018 to approximately HK$45.9 million for the Year, representing an increase of approximately 18.1% year-on-year mainly contributed by exploring new market in mainland China. According to market data from an industry report, the domestic tower crane leasing market in the People's Republic of China (the "PRC") continued to grow with a market scale of around RMB74 billion in 2018 and was expected to reach RMB95 billion in 2019. Given that the PRC is an emerging market for the Group, the board of directors (the "Board") currently considers expanding the Group's current construction equipment business to the Greater Bay Area, and then gradually across the entire PRC with the Greater Bay Area as its core market in the future.

As disclosed in the Company's announcement dated 28 August 2019, the Board has been exploring new business opportunities in order to expand the business scope of the Group. The Board considers that the property development industry in Hong Kong has a growth potential and would like to consider to commence this line of business. Tendering of land provided a good opportunity for the Group to expand its business in the property development industry in Hong Kong. It also generates a synergy effect on the Group's construction equipment business; for example, the property development will drive the growth of the Group's tower crane rental related services.

As mentioned in the Company's announcement dated 24 February 2020, the Plantation Business as defined therein was disposed for a cash consideration of HK$230 million, which represented the Group's disposal of 51% of the issued share capital of Best Earnest Investments Limited. The disposal is a good opportunity for the Group to realise its investment in the Plantation Business and to focus its resources on the construction equipment and construction businesses.

Due to the outbreak of the novel coronavirus (COVID-19) pandemic (the "Outbreak"), there are stoppage and delay in work resumption as well as strict traffic controls, which has severely affected the commencement of infrastructure works. The execution of certain new contracts of the Group in relation to the leasing and servicing of tower cranes was postponed as customers in Hong Kong and the PRC had postponed their operations due to the Outbreak. Although the unexpected Outbreak at the beginning of 2020 became a major variable for the world economy, it appears that infrastructure investment is likely to maintain a moderate growth throughout the year. As tower crane machinery is an essential construction tool in real estate infrastructure, there remains to be a promising future for the tower crane leasing market.

DEPUTY CHAIRMAN'S STATEMENT

The performance of the Company is contributed by the dedicated efforts of our management and staff and the strong support from all sectors of the business community. On behalf of the Board, I would like to express our sincere appreciation to all the Company's stakeholders for your support over the years and look forward to your continued support for the future.

Guo Peineng
Deputy Chairman

Hong Kong
27 March 2020

OPERATIONAL AND FINANCIAL REVIEW

Overall Performance

For the year ended 31 December 2019 (the "Year" or the "FY2019"), the Group generated revenue from continuing operations of approximately HK$124.5 million (2018: approximately HK$108.3 million) with a loss for the year from continuing operations of approximately HK$65.5 million (2018: approximately HK$80.0 million). Revenue from discontinued operation recorded approximately HK$28.5 million with a profit from discontinued operation of approximately HK$81.8 million.

Business Review

Revenue from sales of machinery of approximately HK$21.7 million was recorded for the year under review, which represented an increase of approximately 113.4% as compared to that for the year ended 31 December 2018 (the "FY2018"). The increase in machinery sales was mainly due to an increased in sales of large tonnage tower crane. The Group's customers in Singapore have shifted to buy new cranes with heavier lifting capacity to accommodate the adoption of pre-cast and pre-fabricated construction; therefore, the Group launched large tonnage tower crane to meet their demands. With regard to the sale of used cranes, the Group explored the Middle-east market to increase source of income.

Revenue from sales of spare parts recorded a decrease of approximately 44.1% for the year under review to approximately HK$5.3 million, mainly due to less erection and climbing activity involved by the Group's customer using certain spare parts according to the project schedule during the year under review.

Revenue from service income increased from approximately HK$38.8 million for FY2018 to approximately HK$45.9 million for the year under review, representing an increase of approximately 18.1% year over year mainly contributed by exploring new market in mainland China. The Group established three new companies in Shenzhen in October 2019 realised HK$7.9 million service income.

Rental income from leasing of machinery increased from approximately HK$49.8 million for FY2018 to approximately HK$51.6 million for the year under review, representing an increase of approximately 3.7% year over year mainly due to a slight increase of the rental price.

Dividend

The Board has resolved not to recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

Financial Review

Results for the Year

As detailed in the sections headed "Business Review" above, the Group recorded a loss from continuing operations of approximately HK$65.5 million for the Year (2018: HK$80.0 million).

For FY2019, the Group's other income and gains from continuing operations amounted to approximately HK$1.4 million, representing a decrease of approximately 74.7% compared to that of FY2018. The decrease was mainly attributable to the absence of reversal of impairment loss on property, plant and equipment.

As at 31 December 2019, the Group's property, plant and equipment amounted to approximately HK$136.4 million, representing a decrease of approximately 72.1% compared to that as at 31 December 2018. The depreciation charges included in other operating expenses, and staff costs included in cost of sales and services and administrative expenses from the continuing operations for the Year increased by approximately HK$4.7 million and HK$0.6 million, respectively, as compared to the amounts for the previous year.

Finance costs from continuing operations amounted to approximately HK$22.0 million for the FY2019, representing a decrease of approximately 41.7% compared to those of FY2018. Finance costs from discontinued operation amounted to approximately HK$0.1 million for the FY2019.

Liquidity and Financial Resources

The Group had cash and cash equivalents of approximately HK$25.3 million as at 31 December 2019 (2018: approximately HK$120.5 million).

The total equity of the Group increased to approximately HK$490.6 million as at 31 December 2019 (2018: approximately HK$482.4 million).

As at 31 December 2019, the Group had net current assets of approximately HK$297.1 million (2018: net current liabilities of approximately HK$18.1 million).

Capital Structure

As at 31 December 2019, the Company had a total of 1,060,000,000 issued shares with par value of HK$0.01 each (the "Shares", each a "Share"). There was no change in the share capital of the Company during the Year.

Investment Position and Planning

During the Year, the Group spent approximately HK$33.7 million for acquisition of plant and equipment and right-of-use assets (2018: approximately HK$51.4 million).

Pursuant to a resolution passed in the board of management's meeting of Manta-Vietnam Construction Equipment Leasing Limited ("Manta-Vietnam" and the "Board of Management", respectively), a company incorporated in Vietnam and an indirect 67%-owned subsidiary of the Company, held on 10 January 2013, the Board of Management resolved to liquidate Manta-Vietnam (the "Liquidation"). As at the date of this annual report, the Liquidation is still in process.

Pursuant to the respective written resolutions of the sole member and the sole director of Manta Services Management Limited ("Manta-Services"), which had ceased business with effect from 31 December 2018, both dated 20 March 2019, it was resolved that an application be made to the Registrar of Companies in Hong Kong for deregistration of Manta-Services (the "Application"). The Application was made on 23 September 2019. As at the date of this annual report, the deregistration of Manta-Services is still in process.

Eagle Legend Equipment China Limited, an indirect wholly-owned subsidiary of the Company, was incorporated in Hong Kong on 18 September 2019, for the purpose of holding 100% interest in three wholly foreign-owned (Hong Kong, Macau and Taiwan) limited companies (the "WFOE") incorporated in Shenzhen, the People's Republic of China on 17 October 2019. The three WFOEs provide leasing of construction equipment and related services in PRC.

Material Acquisition or Disposal of Subsidiary

On 24 February 2020, Lucky Boom Investments Limited (the "Vendor"), a wholly-owned subsidiary of the Company, and He Xiaoyang (the "Purchaser") entered into a sale and purchase agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire 51% of the issued share capital of Best Earnest Investments Limited ("Best Earnest"), for a total consideration of HK$230,000,000. The Purchaser is holding 49% of the issued share capital of Best Earnest. Best Earnest is indirectly holding 80% issued shares of 廣東大合生物科技股份有限公司 (for identification purpose, in English, Guangdong Dahe Biological Technologies Limited) ("Guangdong Dahe"), a company principally engaged in the cultivation, research, processing and sale of exocarpium citri grandis (化橘紅), a Chinese herbal medicine, in the PRC. Further details of the above transaction were disclosed in the Company's announcements dated 24 February, 6 March and 19 March 2020, respectively. A circular containing, among other things, details of the above transaction, is expected to be despatched by the Company to the shareholders of the Company (the "Shareholders") on or before 6 May 2020. The above transaction is subject to Shareholders' approval.

Litigations

As disclosed in the announcement of the Company dated 9 December 2019, the minority shareholders of Guangdong Dahe (the "Minority Shareholders") initiated proceedings relating to the dispute among the shareholders of Guangdong Dahe (the "Dispute with Minority Shareholders") with the Intermediate People's Court of Maoming City, Guangdong Province* (廣東省茂名市中級人民法院) (the "Court"), in which the Minority Shareholders filed the civil complaints to the Court and requested the Court to abrogate the shareholders' resolution of Guangdong Dahe in relation to the change of the legal representative of Guangdong Dahe (the "Legal Representative"), who was appointed by the Minority Shareholders. In response to this, on 27 November 2019, Vast Bloom petitioned to the Court for the winding-up of Guangzhou Dahe (the "Winding-up Petition") and obtained the Court's acceptance notice on 4 December 2019. On 28 November 2019, Vast Bloom also obtained the Court order to freeze the bank accounts of Guangdong Dahe for up to RMB78 million.

On 6 January 2020, a civil complaint against the Legal Representative and the Minority Shareholders was filed by Guangdong Dahe to the Court for demanding the return of the company seal, various official registration papers, information and property of Guangdong Dahe (the "Returning Property Complaint") and the Court issued the complaint acceptance notice on 7 February 2020.

As at the date of this annual report, the court hearing dates for the Dispute with Minority Shareholders, the Winding-up Petition and the Returning Property Complaint were not assigned by the Court.

Gearing

The Group monitors capital using a gearing ratio, which is calculated by dividing the total debts (sum of carrying amounts of shareholder's loans, bank borrowings, amount due to a related company, lease liabilities and finance lease payables) by the total equity. The gearing ratio as at 31 December 2019 was increased to 0.6 (2018: 0.5), mainly due to the drawdown of shareholder's loans for the Year.

Pledge of Group Assets and Contingent Liabilities

As at 31 December 2019, the Group's banking facilities were secured by a building of the Group carried at cost with aggregated carrying amounts of approximately HK$32.1 million (2018: secured by a building of the Group carried at cost and with aggregated carrying amount approximately HK$33.4 million).

Exchange Rate Exposure

As at 31 December 2019, most of the revenue and part of assets and liabilities of the Group were denominated in currencies other than Hong Kong dollar. In particular, the revenue generated from the Group's rental operations in Singapore was primarily denominated in Singapore dollar. Purchases of tower cranes, spare parts and accessories from suppliers were usually denominated in Euro or United States dollar. To hedge against foreign exchange fluctuations, hedging arrangements may be entered. However, no hedging arrangement was undertaken for revenue generated from the Group's operations in Singapore.

Treasury Policies

The Group generally finances its ordinary operations with internally generated resources, banking facilities or shareholder's loan. The interest rates of most of the borrowings and finance lease arrangement, if applicable, are charged by reference to prevailing market rates. Please refer to Note 28 to the Consolidated Financial Statements on page 135 for details of the Group's borrowings.

Contingent Liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

Commitments

As at 31 December 2019, the Group had total capital commitments of approximately HK$0.8 million related to the acquisitions of property, plant and equipment (2018: approximately HK$2.6 million).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the Group had a total of 104 (2018: 118) employees in Hong Kong, Singapore, Vietnam and the PRC. The Group has not had any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities. Periodic in-house training is provided to the employees to enhance the knowledge of the workforce.

The Company has adopted a share option scheme to enable the Board to grant share options to eligible participants. Please refer to section Share Option Scheme on page 19 of this annual report for details.

FUTURE PROSPECTS

During the past few years, the Group's major markets for the construction equipment business were Hong Kong and Singapore. Since the demand for real estate and infrastructure in the PRC was much larger than that in Hong Kong and Singapore, the total construction volume in the PRC has supported the growth of the tower crane leasing industry. Therefore, the Group is optimistic about the development of the tower crane leasing market in the PRC and plans to expand into the PRC leasing market in order to increase its income from its major business. The Group plans to expand its current construction equipment leasing business to the Greater Bay Area first, and then gradually across the PRC market by focusing on the Greater Bay Area as its core market in the future. According to an industry report titled "2020 Investment Outlook of Construction Machinery" (工程機械2020投資展望) published on 31 December 2019 by Tebon Securities Co., Ltd., the amounts of existing stock for tower cranes in the PRC market are 41.06 million units and 42.37 million units in 2019 and 2020 respectively, compared to the total demand for tower cranes in real estate market of 49.37 million units and 50.86 million units respectively during the same years, which resulted in a supply and demand gap for 2019 and 2020 of 8.31 million units and 8.49 million units respectively. According to an industry report titled "The rise in the leasing of tower crane foundation in terms of both quantity and price has enabled ample room for larger companies to grow even larger" (塔基租賃龍頭量價齊升，強者恒強成長空間廣闊) published on 13 October 2019 by Pacific Securities Co., Ltd., the tower crane leasing market in the PRC continues to grow. The scale of the tower crane leasing market in the PRC is expected to reach RMB95 billion in 2019. In view of the current growth rate of 10% for the infrastructure sector, the scale of the leasing market is expected to break the RMB100 billion mark in 2020. The establishment of the business footprint in the Greater Bay Area has led to an increase in infrastructure demands in the region. The Group will seize the opportunity of economic growth in the Greater Bay Area and has established three subsidiaries in Shenzhen on October 2019 to provide the leasing of construction equipment and related services. Employees with relevant management and sales experience and mechanical engineers have been recruited to facilitate the Group's development into the Greater Bay Area market while professional staff from Hong Kong are assigned to provide support for the business in the Greater Bay Area.

At the same time, the Group will continue to strengthen its investment in the existing Singapore and Hong Kong markets and consider continuing with its purchase of large tower cranes to improve its market competitiveness. According to the statistics from the Housing and Development Board of Singapore, construction demand for both public and private sectors continues to grow. It is projected that construction demand between 2021 and 2022 will range from S$27 billion to S$34 billion per year and the demand between 2023 and 2024 will range from S$28 to S$35 billion per year, which are spearheaded by the demand of public housing and public-led private partnership construction projects, with projects awarded last year amounting to approximately S$33.4 billion. Future construction projects in Singapore, such as the development of Terminal 5 of Changi Airport, the development of Jurong Lake District, the expansion of two integrated resorts being Marina Bay Sands and Resorts World Sentosa, etc., should generate tremendous demand for tower crane machinery. Meanwhile, as most public housing and some private housing projects have adopted the prefabricated unit construction system, the Group's business of leasing large-capacity tower cranes will become more popular.

Infrastructure construction is severely affected by the outbreak of the novel coronavirus (COVID-19) pandemic (the "Outbreak"), namely the stoppage and delay in work resumption as well as strict traffic controls. At the same time, since a lot of raw materials and components are manufactured in the PRC, which has affected the transportation and supply of building materials to Hong Kong, the construction works in several construction sites in Hong Kong could only maintain limited operation or had been forced to suspend. Accordingly, the execution of certain new contracts of the Group in relation to the leasing and servicing of tower cranes was postponed as customers in Hong Kong and the PRC had postponed their operation due to the Outbreak. By contrast, Singapore is less affected by the Outbreak. Construction sites operated by customers of the Group in Singapore are currently in normal operation, and as such the Group's business in Singapore has so far not been affected.

Although the unexpected the Outbreak at the beginning of 2020 became a major variable for the PRC economy, it appears that infrastructure investment is likely to maintain a moderate growth throughout the year. The role of infrastructure in stabilising the economy and absorbing employment, which is in line with the PRC's core policy of "Maintaining growth and stable employment", has become more prominent under the Outbreak. In 2020, given that there is more room for progress in the policies related to infrastructure investment, and variables such as the Outbreak and special bonds, the growth rate for infrastructure investment in 2020 is expected to recover to approximately 10%. As tower crane machinery is an essential construction tool in real estate infrastructure, there remains to be a promising future for tower crane machinery in the leasing market.

EXECUTIVE DIRECTORS

Mr. Guo Peineng, aged 48, is the deputy chairman of the Board (the "Deputy Chairman"). Mr. Guo was appointed as an executive Director and the Deputy Chairman on 8 July 2019. He is also the chairman of the nomination committee of the Company (the "Nomination Committee") and a director of certain subsidiaries of the Company.

Mr. Guo served in various government organisations in the People's Republic of China (the "PRC"), including the Public Security Bureau in Jieyang City of the Guangdong Province and the Traffic Department in Shenzhen from September 1994 to June 2013. From June 2013 to April 2016, Mr. Guo was the chairman and general manager of Shenzhen Taiteng Material Trading Limited Company* (深圳市泰騰材料貿易有限公司) which was principally engaged in material trading in the PRC. From May 2016 to July 2019, Mr. Guo was the chairman and general manager of Shenzhen Jin Xiang Sheng Investment Group Holdings Co., Limited* (深圳市錦祥盛投資控股集團有限公司) which is principally engaged in investment holding in the PRC.

Mr. Guo obtained his diploma in Law in the Sichuan University, the PRC, in June 2005. He was an independent non-executive director of Mega Medical Technology Limited (now known as Kaisa Health Group Holdings Limited), the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 876), from January 2017 to March 2018.

Mr. Zhao Yi, aged 44, is the chief executive officer of the Company (the "Chief Executive Officers"). Mr. Zhao was appointed as an executive Director and the Chief Executive Officer on 4 November 2019. Mr. Zhao is also a member of the remuneration committee of the Company (the "Remuneration Committee"), an authorised representative of the Company under each of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and a director of certain subsidiaries of the Company.

Mr. Zhao has over 20 years of experience in finance matters. He served in various positions, including but not limited to chief financial officer, department head and general manager in a property developer group (the "Property Developer") in the PRC since 2010, mainly responsible for finance matters. He had been a senior vice president in the head office of the Property Developer. Prior to joining the Property Developer, Mr. Zhao was a finance manager and the chief financial officer in various property development companies from 1999 to 2008.

Mr. Zhao obtained a master's degree in business administration for senior management in Dongbei University of Finance & Economics (東北財經大學), the PRC, in December 2012. He is a registered accountant in the PRC.

Mr. Chen Huajie, aged 44, is an executive Director of the Company appointed on 8 July 2019. He is also a director of certain subsidiaries of the Company.

Mr. Chen has over 20 years of experience in the construction industry. From August 2015 to July 2019, Mr. Chen was the chairman and general manager of a large private-owned integrated construction enterprise which is principally engaged in construction projects in the PRC. Mr. Chen served in various positions, including but not limited to engineer, project manager and general manager in a property developer group in the PRC from June 2004 to August 2015.

Mr. Chen graduated from Gansu Industrial University* (甘肅工業大學) (now known as Lanzhou University of Technology* (蘭州理工大學)), the PRC, with a bachelor's degree in construction engineering in June 2000. He is an associated constructor* (二級建造師) in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Xiaowu, aged 46, was appointed as an independent non-executive Director on 4 November 2019. Mr. Xu is also the chairman of the audit committee of the Company (the "Audit Committee") and a member of the Nomination Committee.

Mr. Xu has more than 27 years of experience in audit and accounting works in the PRC. He worked as an auditor and accountant in various accounting firms in the PRC. From January 2005 to May 2010, Mr. Xu was an executive partner of 深圳國浩會計師事務所 (Shenzhen Guohao Accounting Firm*); from June 2010 to July 2013, Mr. Xu was the deputy branch manager of China Audit Asia Pacific Certified Public Accountants LLP, Shenzhen Branch (中審亞太會計師事務所深圳分所); from August 2013 to September 2015, Mr. Xu was a senior consultant of 深圳國浩會計師事務所 (Shenzhen Guohao Accounting Firm*); and since October 2015, Mr. Xu has been the branch manager of 中證天通會計師事務所深圳分所 (Zhongzheng Tiantung Accounting Firm, Shenzhen Branch).

Mr. Xu was an independent director of each of 中嘉博創信息技術股份有限公司 (ZJBC Information Technology Co., Ltd.*) (a company listed on the Shenzhen Stock Exchange, stock code: 000889) from June 2016 to February 2019, 廣東星徽精密製造股份有限公司 (Guangdong SACA Precision Manufacturing Co., Ltd*) (a company listed on the Shenzhen Stock Exchange, stock code: 300464) from November 2016 to January 2020, 廣東塔牌集團股份有限公司 (Guangdong Tapai Group Co., Ltd.*) (a company listed on the Shenzhen Stock Exchange, stock code: 002233) since June 2019, and 深圳市有方科技股份有限公司 (Shenzhen Neoway Technology Co., Ltd.*)(a company listed on the Shanghai Stock Exchange, stock code: 688159 since July 2017.

Mr. Xu obtained a master of business administration in New York Institute of Technology, the United States of America, in May 2013 and was qualified as a certified accountant in the PRC in August 1999.

Mr. Li Yongjun, aged 54, was appointed as an independent non-executive Director on 4 November 2019. Mr. Li is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Mr. Li has more than 30 years of experience in legal works in the PRC. He worked as the legal consultant of 唐山鋼鐵股份有限公司 (Tangshan Iron and Steel Co., Ltd.*) (a company listed on the Shenzhen Stock Exchange, stock code: 000709, now known as 河鋼股份有限公司 (Hegang Co., Ltd.*)) in the 1980s. From 1998 to 2010, Mr. Li worked for 廣東萬商律師事務所 (Guangdong V&T Law Firm*) and 廣東江山宏律師事務所 (Guangdong Jiangshanhong Law Firm*) in Shenzhen, served as a legal consultant in PRC law for Hon Hai/Foxconn Technology Group of Taiwan, and advised various sizeable PRC companies. He joined Beijing Long An Law Firm (北京隆安律師事務所) in 2010 and is currently a senior partner, advising and providing consulting services for various companies on their arbitration and legal disputes.

Mr. Li obtained a bachelor of laws degree from China University of Political Science and Law (中國政法大學), the PRC, in 1987 and was qualified as a PRC lawyer in 1988. He obtained a doctor of philosophy in laws from China University of Political Science and Law (中國政法大學), the PRC, in 2009.

Mr. Diao Yingfeng, aged 48, was appointed as an independent non-executive Director on 6 December 2019. Mr. Diao is a member of each of the Audit Committee and the Remuneration Committee.

Mr. Diao, has more than 16 years of experience in tax and accounting works in the PRC. He worked as a partner, tax adviser and accountant in various taxation agency firms in the PRC. From March 2003 to December 2008, Mr. Diao worked as a Deputy General Manager of 廣東中成海華稅務師事務所有限公司深圳分公司 (Guangdong Zhongcheng Haihua Taxation Agency Co., Ltd., Shenzhen branch*); from January 2009 to October 2016, Mr. Diao was the head of 深圳市嘉信瑞稅務師事務所有限公司 (Jiaxinrui Taxation Agency Co., Ltd. (Shenzhen)*); from November 2016 to present, Mr. Diao works as a partner of 立信稅務師事務所有限公司深圳分所 (Lixin Certified Tax Agents Co., Ltd. Shenzhen Branch*).

Mr. Diao is currently the executive director of the 4th board of the Shenzhen Certified Tax Agents Association, the head member of the Professional Technical Committee* (專業技術委員會), the deputy head member of the 6th Continuing Education Committee of the Shenzhen Certified Accountants Association* (深圳市註冊會計師協會第六屆繼續教育委員會) and a member of the 2nd Accountancy Professional Committee* (第二屆會計專業委員會) of the Council for the Promotion of Guangdong-Hong Kong-Macao Cooperation.

Mr. Diao was an independent non-executive director of 河南易成新能源股份有限公司 (Henan Yicheng New Energy Co., Ltd.*) (a company listed on the Shenzhen Stock Exchange, stock code: 300080) from August 2017 to November 2019.

Mr. Diao obtained a bachelor of accounting degree in Changchun University (長春財經大學) (formerly known as Changchun Taxation College (長春稅務學院)) in the PRC in 1998, was qualified as a certified accountant in the PRC in 2003 and qualified as a certified tax adviser in the PRC in 2009.

The directors of the Company (the "Director(s)") are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the Year were (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery; and (ii) cultivation, research, processing and sales of exocarpium citri grandis and its seedlings. Details of the principal activities of the subsidiaries are set out in note 37 to the consolidated financial statements.

SEGMENT INFORMATION

Details of the segment information of the Group for the Year are set out in note 7 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year, principal risks and uncertainties that the Group may be facing, and a discussion on the Group's future development are set out in the Deputy Chairman's Statement on pages 3 and 4 and the Management Discussion and Analysis on pages 5 to 9 of this annual report. An analysis of the Group's performance during the Year using financial key performance indicators is set out in the Five-Year Financial Summary on pages 163 to 164 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the board of Directors (the "Board") and management are aware, there was no material breach of or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. Employees are provided with a fair and safe workplace where they can maintain a healthy work-life balance, remunerated equitably and competitively, and provided with continuing training and development opportunities to equip them to deliver their best performance and achieve corporate goals. The Group has devoted effort to build up customers' trust on its services and products by listening to their views and opinions, and maintaining high product quality. The Group has maintained good working relationships with suppliers to meet customers' needs in an effective and efficient manner.

During the Year, there was no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Company's environmental policies and performance are set out in the Environmental, Social and Governance Report on pages 34 to 57 of this annual report.

RESULTS AND DIVIDENDS

The financial performance of the Group for the Year and the financial position of the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 61 to 162 of this annual report.

The Board has resolved not to recommend the payment of any dividend for the Year (2018: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares of the Company (the "Shares") on a pro rata basis to the existing shareholders of the Company (the "Shareholders").

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the FY2019, the Company did not redeem any of its own listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the Year are set out in note 34 to the consolidated financial statements and the consolidated statement of changes in equity on page 65 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company did not have a reserve available for distribution. Under the Companies Law of the Cayman Islands, the share premium account of the Company amounting to approximately HK$346.8 million as at 31 December 2019, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus Shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the sales attributable to the Group's five largest customers was approximately 46% with the largest customer accounted for approximately 16%; the purchase attributable to the Group's five largest suppliers was approximately 61% with the largest supplier accounted for approximately 31%.

Neither the Directors, any of their close associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively) nor any Shareholders (which to the best knowledge of the Directors who owned more than 5% of the number of the Company's issued shares) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Year.

DIRECTORS

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

Executive Directors
Mr. Guo Peineng *(Deputy Chairman)* (appointed on 8 July 2019)
Mr. Zhao Yi *(Chief Executive Officer)*(appointed on 4 November 2019)
Mr. Chen Huajie (appointed on 8 July 2019)
Mr. Zeng Li *(Chairman)* (resigned on 6 December 2019)
Mr. Winerthan Chiu *(Chief Executive Officer)* (resigned on 4 November 2019)
Mr. Chan Ka Lun (resigned on 1 July 2019)

Independent non-executive Directors (the "INEDs")
Mr. Xu Xiaowu (appointed on 4 November 2019)
Mr. Li Yongjun (appointed on 4 November 2019)
Mr. Diao Yingfeng (appointed on 6 December 2019)
Mr. Wan Tze Fan Terence (resigned on 6 December 2019)
Mr. Tsui Robert Che Kwong (resigned on 9 November 2019)
Ms. Yang Yan Tung Doris (resigned on 4 November 2019)

In accordance with article 112 of the Articles, Mr. Guo Peineng and Mr. Xu Xiaowu shall retire from office and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company (the "AGM").

CHANGE OF DIRECTORS

The changes in information of the Directors since the date of the Company's 2019 interim report are set out below:

1. Mr. Winerthan Chiu has resigned as an executive Director and the Chief Executive Officer (the "CEO") and Ms. Yang Yan Tung Doris has resigned as an independent non-executive Director (the "INED"), both with effect from 4 November 2019;

2. Mr. Zhao Yi has been appointed as an executive Director and the CEO and each of Mr. Li Yongjun and Mr. Xu Xiaowu has been appointed as an INED, all with effect from 4 November 2019;

3. Mr. Tsui Robert Che Kwong has resigned as an INED with effect from 9 November 2019;

4. Mr. Zeng Li has resigned as an executive Director and the chairman of the Board and Mr. Wan Tze Fan Terence has resigned as an INED, both with effect from 6 December 2019; and

5. Mr. Diao Yingfeng has been appointed as an INED with effect from 6 December 2019.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written confirmations from each of its current INEDs in respect of their independence during the period since their respective appointment dates until 31 December 2019 and up to the date of this report pursuant to Rule 3.13 of the Listing Rules and all of them are still being considered to be independent.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Guo Peineng, Mr. Zhao Yi and Mr. Chen Huajie, executive Directors, has entered into a service agreement with the Company for a term of two years unless terminated by either party by giving not less than one month's written notice to the other party. The service agreements of Mr. Guo Peineng and Mr. Chen Huajie commenced on 8 July 2019 and the service agreement of Mr. Zhao Yi commenced on 4 November 2019.

Each of the INEDs has entered into a letter of appointment with the Company for a term of two years unless terminated by either party by giving not less than one month's written notice to the other party. The letters of appointment of Mr. Xu Xiaowu and Mr. Li Yongjun commenced on 4 November 2019 and the letter of appointment of Mr. Diao Yingfeng commenced on 6 December 2019.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at every AGM in accordance with the Articles.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Directors' fees are subject to Shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board by reference to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in note 17 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in relation thereto.

During the Year and up to the date of this report, the Company maintained liability insurance for the Directors to protect them from any loss to which they might be liable arising from their actual or alleged misconduct. A permitted indemnity provision as defined in the Companies Ordinance, Chapter 622 of the Laws of Hong Kong was in force for indemnity liabilities incurred by the Directors to a third party.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in notes 29 and 42(a) to the consolidated financial statements, none of the Directors nor any of their respective connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group, to which the Company or any of its holding company, subsidiaries or fellow subsidiaries was a party during or at the end of the Year.

CONTRACT OF SIGNIFICANCE

Save as disclosed in notes 29 and 42(a) to the consolidated financial statements, the Company did not enter into any contract of significance with its controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries during the Year.

MANAGEMENT CONTRACTS

Save as the executive Directors' service agreements disclosed in this report, no other contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or in existence during the Year.

CONNECTED TRANSACTION

Save as disclosed in notes 29 and 42(a) to the consolidated financial statements that fall under the scope of "connected transactions" under Chapter 14A of the Listing Rules but constituted a fully exempt connected transaction of the Company pursuant to Rule 14A.90 of the Listing Rules, there was no transaction which should be disclosed in this report as a connected transaction in accordance with the requirements of the Listing Rules during the Year.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), (b) to be kept by the Company under section 352 of the SFO, or (c) 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2019, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons (other than the Directors and the chief executives of the Company) or corporations in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Nature of interests/ Holding capacity	Number of shares	Approximate percentage of issued share capital of the Company *(Note 1)*
Substantial Shareholders:			
Harbour Luck Investments Limited (“Harbour Luck”)	Beneficial owner	324,400,000	30.60%
Mr. Zeng Li	Interest of controlled corporation	324,400,000 *(Note 2)*	30.60%
Excel Range Investments Limited (“Excel Range”)	Beneficial owner	275,600,000	26.00%
Ms. Kwok Hiu Ting	Interest of controlled corporation	275,600,000 *(Note 3)*	26.00%
Ms. Kwok Hiu Yan	Interest of controlled corporation	275,600,000 *(Note 3)*	26.00%
Ms. Kwok Ho Lai	Interest of controlled corporation	275,600,000 *(Note 3)*	26.00%
Other Person:			
Mr. He Xiaoyang	Beneficial owner	100,000,000	9.43%

Notes:

1. The percentage is calculated on the basis of 1,060,000,000 Shares in issue as at 31 December 2019.

2. Mr. Zeng Li is the sole shareholder and sole director of Harbour Luck and is deemed to be interested in the 324,400,000 Shares in which Harbour Luck is interested under the SFO.

3. Ms. Kwok Hiu Ting, Ms. Kwok Hiu Yan and Ms. Kwok Ho Lai are deemed to be interested through the interest of a controlled corporation, Excel Range as each of them holds one-third of the issued share capital of Excel Range.

Save as disclosed above, as at 31 December 2019, there were no other persons who (other than a Director or the chief executives of the Company) or corporations which had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its holding companies, subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

At the extraordinary general meeting held on 30 July 2015, the Company adopted a new share option scheme (the "Share Option Scheme") to replace the old share option scheme adopted on 25 June 2010 (the "Old Scheme") for the purpose of providing an incentive and/or a reward to eligible participants for their contributions to, and continuing efforts to promote the interest of, the Group. The eligible participants include (a) full-time or part-time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); (b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub- tenants) of the Group; and (c) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Further details of the Share Option Scheme are set out in the Company's circular dated 13 July 2015.

The principal terms of the Share Option Scheme are as follows:

(i) The total number of Shares which may be allotted and issued upon exercise in full of the options to be granted under the Share Option Scheme (the "Share Option(s)") and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue on the adoption date (i.e. 30 July 2015), unless the Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled and lapsed in accordance with the such schemes or exercised options) will not be counted for the purpose of calculating such 10% limit. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

(ii) No Share Option shall be granted to any eligible participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue with the substantial shareholders of the Company, the INEDs and their respective associates (as defined in the Listing Rules) being subject to 0.1% of the number of Shares in issue and a total value of HK$5 million of the Shares.

(iii) A Share Option may be accepted by an eligible participant not later than 21 days from the date of grant. Upon acceptance of the Share Option, a consideration of HK$10.00 shall be paid by the grantee to the Company.

(iv) A Share Option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board, which shall not be later than 10 years from the date of grant but subject to the provisions for early termination as contained in the Share Option Scheme. There is no specified minimum period for which a Share Option must be held or the performance target which must be achieved before a Share Option can be exercised.

(v) The subscription price shall be determined by the Board, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(vi) The Share Option Scheme remains valid for a period of 10 years commencing on 30 July 2015.

As at 31 December 2019 and the date of this report, no Share Option has been granted under the Old Scheme.

No Share Option has been granted under the Share Option Scheme since its adoption and therefore, as at 31 December 2019 and the date of this report, there were no outstanding Share Option granted under the Share Option Scheme and no Share Option was exercised and cancelled or lapsed during the Year.

The total number of Shares available for issue under the Share Option Scheme is 80,000,000, representing 7.55% of the issued Shares as at the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the number of the issued Share were held by members of the public during the Year and as at the date of this report as required under the Listing Rules.

CORPORATE GOVERNANCE

Full details of the Company's principal corporate governance practices are set out in the Corporate Governance Report on pages 21 to 33 of this annual report.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Save as disclosed in note 46 to the consolidated financial statements set out in this report, the Group did not have any other material subsequent event after the reporting period and up to the date of this annual report.

INDEPENDENT AUDITOR

On 23 December 2019, BDO Limited ("BDO") resigned and ceased to act as the auditor of the Company (the "Independent Auditor") and Grant Thornton Hong Kong Limited ("Grant Thornton") was appointed as the Independent Auditor to fill the casual vacancy after the resignation of BDO (the "Resignation") and to hold office until the conclusion of the next AGM. Save as disclosed above, the Independent Auditor remained unchanged over the past three years. The Board confirmed that there is no disagreement between the Company and BDO and it is not aware of any matters or circumstances in respect of the Resignation that need to be brought to the attention of the Shareholders. For details, please refer to the Company's announcement of change of auditor published on 23 December 2019.

The consolidated financial statements of the Company for the Year have been audited by Grant Thornton. A resolution will be proposed at the forthcoming AGM to re-appoint Grant Thornton as the Independent Auditor until the conclusion of the next AGM and to authorise the Board to fix their remuneration.

BY ORDER OF THE BOARD

Guo Peineng
Deputy Chairman

Hong Kong, 27 March 2020

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance will not only improve management accountability and investor confidence, but will also lay a good foundation for the long-term development of the Company. Therefore, the Company will strive to develop and implement effective corporate governance practices and procedures.

During the year ended 31 December 2019 (the "Year"), the Company complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

THE BOARD OF DIRECTORS

The Board

The Board takes full responsibility for supervising and overseeing all major matters of the Company, including any acquisitions or disposal of businesses, investments, formulating and approving of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the daily management and operations of the Group. The Board may from time to time delegate certain functions to management if and when considered appropriate.

The Directors have full access to information of the Group and management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Chairman and Chief Executive

The CG Code provision stipulates that the roles of chairman and chief executive officer (the "CEO") should be separate and should not be performed by the same person. Currently, Mr. Guo Peineng is the Deputy Chairman of the Board, the Board is seeking the right candidate to fill the vacancy of the chairman (the "Chairman") of the Board and Mr. Zhao Yi takes up the roles of the CEO. Currently, the Deputy Chairman is responsible for overseeing the functioning of the Board and in charge of overall affairs of the Group while the roles of the CEO is responsible for managing operation planning of the Group's businesses.

Board Composition

Currently, the Board comprises six members with a suitable breadth of background and professional experience from the financial, legal, accounting and commercial sections.

The Directors who served the Board during the Year and up to the date of this report are named as follows:

Executive Directors
Mr. Guo Peineng *(Deputy Chairman) (appointed on 8 July 2019)*
Mr. Zhao Yi *(Chief Executive Officer) (appointed on 4 November 2019)*
Mr. Chen Huajie *(appointed on 8 July 2019)*
Mr. Zeng Li *(Chairman) (resigned on 6 December 2019)*
Mr. Winerthan Chiu *(Chief Executive Officer) (resigned on 4 November 2019)*
Mr. Chan Ka Lun *(resigned on 1 July 2019)*

Independent non-executive Directors (the "INEDs")
Mr. Xu Xiaowu *(appointed on 4 November 2019)*
Mr. Li Yongjun *(appointed on 4 November 2019)*
Mr. Diao Yingfeng *(appointed on 6 December 2019)*
Mr. Wan Tze Fan Terence *(resigned on 6 December 2019)*
Mr. Tsui Robert Che Kwong *(resigned on 9 November 2019)*
Ms. Yang Yan Tung Doris *(resigned on 4 November 2019)*

There is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

The brief biographical details of the Directors are set out in the "Biographical Details of Directors" on pages 10 to 12 of this annual report. The updated list of Directors comprising the Executive Directors and the INEDs, and their role and function were published on the respective websites of the Stock Exchange and the Company.

The Deputy Chairman, being an executive Director will at least annually hold one meeting with the INEDs without the presence of other executive Directors.

In compliance with code provision A.1.8 of the CG Code, the Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

Appointment and Re-election of Directors

The Board is empowered under the articles of association of the Company (the "Articles") to appoint any person, as a Director, either to fill a casual vacancy or as an additional member of the Board. The Company has set up a Nomination Committee for formulating nomination policy for consideration of the Board and making recommendations to the Board on the selection, appointment and re- appointment of Directors. In accordance with Articles, any Director newly appointed shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election. Furthermore, nearest one-third of the Directors, including those appointed for a specific term, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Retiring Directors shall be eligible for re-election at the AGM.

The term of office of all Directors is two years, subject to retirement by rotation, whichever is the earlier. Each of the Directors is appointed by a service contract or a letter of appointment setting out the key terms and conditions of his/her appointment.

Directors' Training and Professional Development

During the Year, the Company had organised in-house training conducted by The Hong Kong Institute of Directors for the Directors and senior executives, to develop and refresh the Directors' knowledge and skills with an emphasis on the roles, functions and duties of a director of a listed company in compliance with code provision A.6.5 of the CG Code. To ensure Directors' compliance with the Listing Rules and strengthen the Directors' awareness of good corporate governance, the Company continuously updates Directors on the latest developments of the Listing Rules and other applicable regulatory requirements by issuing to them circulars, guidance notes and reading materials.

董事 HKIoD 持續進修 2019 Director CPD

During the Year, the Directors participated in the following training as per their records provided to the Company:

Directors	**Types of training**
Executive Directors	
Mr. Guo Peineng *(appointed on 8 July 2019)*	B, C
Mr. Zhao Yi *(appointed on 4 November 2019)*	B, C
Mr. Chen Huajie *(appointed on 8 July 2019)*	B, C
Mr. Zeng Li *(resigned on 6 December 2019)*	B, C
Mr. Winerthan Chiu *(resigned on 4 November 2019)*	B, C
Mr. Chan Ka Lun *(resigned on 1 July 2019)*	B, C
Independent non-executive Directors	
Mr. Xu Xiaowu *(appointed on 4 November 2019)*	A, B, C
Mr. Li Yongjun *(appointed on 4 November 2019)*	B, C
Mr. Diao Yingfeng *(appointed on 6 December 2019)*	B, C
Mr. Wan Tze Fan Terence *(resigned on 6 December 2019)*	B, C
Mr. Tsui Robert Che Kwong *(resigned on 9 November 2019)*	B, C
Ms. Yang Yan Tung Doris *(resigned on 4 November 2019)*	B, C

A: giving professional talks at seminars and/or conferences and/or forums
B: attending training/seminars/webinars/in-house briefings arranged by the Company or external professional parties
C: reading material relevant to the Company's business, regulatory updates, corporate governance issues, directors' duties and responsibilities, etc.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has entered into a letter of appointment with each of the existing INEDs for a term of two years which can be terminated by either party by giving not less than one month's written notice to the other party. The letter of appointment of Mr. Xu Xiaowu and Mr. Li Yongjun commenced on 4 November 2019, Mr. Diao Yingfeng commenced on 6 December 2019.

Each of the INEDs has confirmed in writing that he or she had complied with the independence requirements set out in rule 3.13 of the Listing Rules. The Board considers that all INEDs are independent under these independence requirements.

BOARD COMMITTEES

The Board has established three Board committees, namely, the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") (together, the "Board Committees"), for overseeing particular aspects of the Board and the Company's affairs, the Board delegated to the Board Committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

Currently, the members of the Audit Committee comprises three INEDs, namely Mr. Xu Xiaowu (chairman of the Audit Committee), Mr. Li Yongjun and Mr. Diao Yingfeng.

The Audit Committee is primarily responsible for (i) reviewing the financial statements and reports and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process; (iii) making recommendation to the Board on the appointment, reappointment and removal of external auditor; (iv) reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system.

During the Year, three meetings of the Audit Committee were held to review (i) the Group's annual audited financial statements with the independent auditor for the year ended 31 December 2018; (ii) the unaudited interim financial statements for the six months ended 30 June 2019, including the accounting principles and accounting standards adopted with recommendations made to the Board for approval; (iii) the changes in accounting standards and assessed their potential impacts on the Group's financial statements; and (iv) the Company's financial reporting system, internal control system and risk management system and related matters; and to consider and make recommendations on the first appointment of Grant Thornton Hong Kong Limited (the "Grant Thornton") as the independent auditor of the Group subsequent to the resignation of BDO Limited in December 2019, and the terms of engagement.

The Audit Committee has reviewed with the management of the Company and the independent auditor the annual results of the Group for the Year including the accounting principles and practices adopted by the Group and discussed the auditing, risk management and internal control and financial reporting matters.

Remuneration Committee

Currently, the Remuneration Committee is chaired by Mr. Li Yongjun, an INEDs, and other members are Mr. Zhao Yi, an executive Director, and Mr. Diao Yingfeng, an INEDs.

The Remuneration Committee is primarily responsible for (i) making recommendations to the Board on the Company's policy and structuring for all remuneration of the Directors and senior policy management and establishing the formal and transparent procedures for developing such remuneration; (ii) determining the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors. In determining the specific remuneration packages of the Directors and senior management, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the Group; and (iii) reviewing and approve remuneration of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. Details of remuneration for each Director and emoluments for senior management are set out in note 17 to the consolidated financial statements.

During the Year, four meetings of the Remuneration Committee were held and two written resolutions were circulated regarding the review of (i) the remuneration package of the Directors and the CEO; (ii) the terms of reference of the Remuneration Committee and its effectiveness; (iii) a remuneration policy; and (iv) the draft services agreements for executive Directors and the CEO and draft letters of appointment for the INEDs.

Nomination Committee

Currently, the Nomination Committee is chaired by Mr. Guo Peineng, an executive Director and the Deputy Chairman and other members are Mr. Xu Xiaowu and Mr. Li Yongjun, both being INEDs.

The Nomination Committee is primary responsible for (i) reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board annually and making recommendations to the Board with regard to any changes; (ii) reviewing the policy on Board diversity (the "Board Diversity Policy") and the measurable objectives for implementing such policy from time to time adopted by the Board, and to review and monitor the progress on achieving these objectives; (iii) developing and review the policy for the nomination of Directors (the "Nomination Policy"); (iv) identifying and nominate qualified individuals for appointment as additional Directors or to fill vacancies of the Board as and when they arise; (v) making recommendations to the Board on appointment, re-appointment, re-election or re-designation of Directors and succession planning for Directors, in particular the Chairman and the CEO; and (vi) assessing the independence of the INEDs. Full terms of reference are available on the respective websites of the Stock Exchange and the Company.

During the Year, two meetings of the Nomination Committee were held and two written resolutions were circulated to review the structure, size and composition of the Board; to recommend to the Board on the re-election of the retiring Directors; to review the terms of reference of the Nomination Committee and its effectiveness; to assess the independence of the independent non-executive Directors; to recommend to the Board the appointment of Directors and the CEO; and to review the Nomination Policy and the Board Diversity Policy and the measurable objectives for implementing such policy.

Board Diversity Policy

The Board has adopted the Board Diversity Policy and measurable objectives which are set for the purpose of implementing the policy with effect from 30 August 2013.

Summary of the Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects including skills, experience, knowledge, expertise, culture, independence, age and gender. All Board appointments will be based on merit while taking diversity into account (including gender diversity).

Measurable Objectives

The measurable objectives for the purpose of implementation of the Board Diversity Policy including the dependence, educational background, professional qualifications and years of experience in the industry he/she is specialised in.

The Nomination Committee will review the Board Diversity Policy to ensure its effectiveness and report annually, in the corporate governance report, on the Board's composition under diversified perspectives, and monitor the implementation on the policy.

Nomination Policy

The Nomination Committee has adopted the Nomination Policy with effect from 24 December 2018.

The Nomination Policy aims to set out the nomination procedures and the process and criteria to guide the Nomination Committee to select and recommend candidates for directorship.

In assessing the suitability of a proposed candidate, the following criteria (the "Nomination Criteria") would be used as reference by the Nomination Committee, including but not limited to:

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's businesses and corporate strategy;

(c) Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

(d) Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;

(e) Board Diversity Policy and any measurable objectives adopted by the Board for achieving diversity on the Board; and

(f) Such other perspectives appropriate to the Company's businesses.

For appointment of a new Director, the Nomination Committee shall evaluate the proposed candidate based on the Nomination Criteria, and make recommendations for the Board's consideration and approval. For re-election of Director at a general meeting of the Company, the Nomination Committee shall review the overall contribution and service to the Company of the retiring Director and also review and determine whether he/she continues to meet the Nomination Criteria. The Nomination Committee and/or the Board shall then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance with the Model Code, the CG Code and disclosures in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Director's inspection.

During the Year, the Board held 7 Board meetings and the Directors attended the same in person or participated therein through electronic means of communication.

The attendance record of each Director at the Board meetings, the Board committees meetings and the general meetings of the Company held during the Year is set out below:

Directors	Board Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Audit Committee Meeting Attended/ Eligible to attend	2019 AGM Attended/ Eligible to attend
Executive Directors					
Mr. Guo Peineng *(appointed on 8 July 2019)*	3/3	–	–	–	–
Mr. Zhao Yi *(appointed on 4 November 2019)*	1/1	–	–	–	–
Mr. Chen Huajie *(appointed on 8 July 2019)*	3/3	–	–	–	–
Mr. Zeng Li *(resigned on 6 December 2019)*	6/6	2/2	–	–	1/1
Mr. Winerthan Chiu *(resigned on 4 November 2019)*	6/6	–	4/4	–	1/1
Mr. Chan Ka Lun *(resigned on 1 July 2019)*	3/3	–	–	–	1/1
INEDs					
Mr. Xu Xiaowu *(appointed on 4 November 2019)*	1/1	–	–	1/1	–
Mr. Li Yongjun *(appointed on 4 November 2019)*	1/1	–	–	1/1	–
Mr. Diao Yingfeng *(appointed on 6 December 2019)*	1/1	–	–	1/1	–
Mr. Wan Tze Fan Terence *(resigned on 6 December 2019)*	6/6	–	4/4	2/2	1/1
Mr. Tsui Robert Che Kwong *(resigned on 9 November 2019)*	6/6	2/2	–	2/2	1/1
Ms. Yang Yan Tung Doris *(resigned on 4 November 2019)*	6/6	2/2	4/4	2/2	1/1

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in Note 17 to the consolidated financial statement of the Group for the Year. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) by band is set out below:

Remuneration band (HK$)	Number of individuals
Nil to 1,000,000	1
1,000,001 to 1,500,000	2

INDEPENDENT AUDITOR'S REMUNERATION

For the Year, the total fee paid/payable to the independent auditor of the Company in respect of audit and non-audit services is set as below:

	HK$'000
Audit services	930
Non-audit services, in respect of interim review and other services	460

DIRECTORS' AND AUDITOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the Year, and confirm that the financial statements give a true and fair view of the results of the Company and the Group for the year then ended, and are prepared in accordance with the applicable statutory requirements and accounting standards.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore the Directors continue to adopt the going concern approach in preparing the financial statements. The statement of the external auditor of the Company, Grant Thornton, about their responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 58 to 60.

COMPANY SECRETARY

Ms. Poon Yuk Ching Ada ("Ms. Poon") has been appointed as the Company Secretary since 16 October 2019. All Directors have access to the advice and services of Ms. Poon who is responsible for ensuring that the correct Board procedures are followed and the Board is advised on all corporate governance matters. Ms. Poon confirmed that during the Year, she had undertaken over 15 hours of professional training to update her skills and knowledge pursuant to rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to accept in reaching its strategic objectives and to ensure that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board has supervised the management's design, implementation and monitoring of risk management and internal control systems. The Board has confirmed that it will continue to monitor the system and ensure that the effectiveness of the risk management and internal control systems of the Company and its principal subsidiaries, covering all material controls, including financial, operational and compliance monitoring, at least once a year under the leadership of the Audit Committee.

A. Risk Management and Internal Control Systems Review

To review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the Year, the Company adopted an Enterprise Risk Management — Integrated Framework (2004) issued by the Committee of Sponsoring Organizations of The Treadway Commission (the "COSO ERM") to perform the risk assessment (the "Review") on the Group for the Year. The Review was designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group were identified and appropriately managed to:

(i) promote consistent risk identification, measurement, reporting and mitigation;

(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;

(iii) develop and communicate policies on risk management and controls aligned with the business strategy; and

(iv) enhance reporting to provide transparency of risks across the Group.

During the Review, the Company conducted the following procedures:

– follow-up review on previous findings on risks;

– interviewing with management and relevant staff to identify the risks over the Group's business operations and governance practice;

– quantifying the risks by financial data and market searches;

– Identifying current issues and potential risks in the Group's business operations and governance practice for improvement; and

– prioritizing the identified risks as high, medium and low risk.

The Company will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

However, risk management and internal control systems are designed to manage rather than eliminate the risk of failing to reach a business goal, and to make reasonable, not absolute, warranties of no significant misrepresentation or loss.

B. Group Risk Report

In this financial year, the Company conducted an annual Group-wide review based on the COSO ERM to assess the risks relevant to the existing businesses of the Group and prepared the Group Risk Report which was compiled to cover: (i) the top risks of the Group; and (ii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels.

C. Dissemination of Inside Information

The Group adopted the standards set out in the Model Code and received confirmations from all Directors that they have complied with the Model Code throughout the Year. Set out below is the Company's procedures and internal controls for handling and distributing inside information:

- The Company acknowledges its obligations under the Securities and Futures Ordinance and the Listing Rules. The first principle is that the information should be promptly published when the Company is aware of and/or when the related decision is made, unless such inside information falls under the Safe Harbour Provisions under the Securities and Futures Ordinance;

- In dealing with the matters, adhere to the Guidelines on Disclosure of Inside Information promulgated by the Securities and Futures Commission in Hong Kong in June 2012;

- Unauthorized use of confidential or inside information has been expressly prohibited in the internal system; and

- employees or Directors possessing such inside information should report the same to the Executive Director, who will in turn report to the Board. The Board will then discuss and handle the relevant disclosures or dissemination of inside information accordingly.

D. Internal Audit Function

During the Year, the Company engaged an external independent consultant as an internal control advisor ("IC Advisor") to perform internal audit function for the Group. The IC Advisor reported to the Audit Committee and to the Company's management. Based on the Company's risk assessment results, the IC Advisor recommended a three-year internal audit plan to the management which was endorsed by the Board and the Audit Committee. The IC Advisor conducted its internal audit review activities according to the endorsed internal audit plan during the Year. The IC Advisor reported the internal audit findings and recommendations to both the Audit Committee and the management of the Group. The management of the Group agreed on the internal audit findings and adopted the recommendations by the IC Advisor accordingly.

The Board and Audit Committee have confirmed that they had reviewed the effectiveness of the risk management and internal control systems of the Group during the Year and considered them to be effective and adequate. The Board will continuously improve and monitor the effectiveness of risk management and internal control systems.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the code provisions of CG Code but also promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the Shareholders to promote and improve the transparency are also welcome.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining a clear, timely and effective communication with the Shareholders and investors. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and attracting new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at http://www.elasialtd.com. The Directors and members of various Board committees will attend general meetings of the Company and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the respective websites of the Stock Exchange and the Company.

DIVIDEND POLICY

The Company attaches importance to providing reasonable returns for the Shareholders. The dividend policy of the Company maintains continuity and stability and takes into consideration the long-term interests of the Company, overall interests of all Shareholders and the sustainable development of the Company.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the Company's capacity to pay from accumulated and future earnings, liquidity position and future commitments at the time of declaration of dividend. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and the Articles.

According to the Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. No dividend shall be payable except out of the profits of the Company.

SHAREHOLDERS' RIGHTS

Procedures for convening an Extraordinary General Meeting by the Shareholders

Pursuant to the article 64 of the Articles, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting of the Company (the "EGM") to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/itself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for the Shareholders to put their enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to infoela@elasialtd.com.

Shareholders are also encouraged to attend the AGM and the EGM and to put their enquiries to the Board directly. Notices of general meetings are duly circulated to the Shareholders in order to ensure each Shareholder is informed to attend the AGM and the EGM. The Chairman, the chairman of each of the Remuneration Committee, Nomination Committee and Audit Committee and the senior management attend the aforesaid meetings and respond to the Shareholders' enquiries in a promptly manner.

Procedures for making proposals at the Shareholders' meetings

To put forward proposals at an annual general meeting of the Company or the EGM, the Shareholders should submit a written notice of those proposals with the detail contact information to the Company Secretary at the Company's principal place of business in Hong Kong. The request will be verified by the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at an annual general meeting of the Company or the EGM varies according to the nature of the proposal, as follows:

- At least 14 days' notice (the notice period must include 10 clear business days) in writing if the proposal constitutes an ordinary resolution of the Company

- At least 21 days' notice (the notice period must include 20 clear business days) in writing if the proposal constitutes a special resolution of the Company in the EGM or an ordinary resolution of the Company in an annual general meeting

Procedures for the Shareholders to propose candidates for election as a Director

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting (the "General Meeting") of the Company, unless notice in writing by Shareholder(s) of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected including that person's biographical details as required by rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, shall have been lodged at the Company Secretary at the Company's principal place of business in Hong Kong at least 7 days before the date of the General Meeting. The period for lodgment of the notices required under the Articles will commence no earlier than the day after the dispatch of the notice of the General Meeting appointed for such election and end no later than 7 days prior to the date of such General Meeting.

Investors Communication Policy

To promote effective communication, the Company maintains a website at http://www.elasialtd.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number	:	(852) 3678-8589
By post	:	Unit 3610, 36/F., the Center, 99 Queen's Road Central, Central, Hong Kong for the attention of the Board of Directors
By email	:	infoela@elasialtd.com

During the Year, the Company has not made any changes to its memorandum and the Articles, which are available on the respective websites of the Stock Exchange and the Company.

I. PREAMBLE

It is universally acknowledged that the adoption of the 2030 Agenda and the Paris Agreement established a strong foundation for coherent implementation of climate actions and objectives of sustainable development across all sectors. Despite a systematic framework for economic growth that simultaneously protects humanity and nature being developed on both domestic and global levels, it goes without saying that business engagement in the delivering of overarching sustainable goals is of paramount importance and the synergistic implementation by the governmental guidance and contributions from private sectors would lead to enormous benefits that remarkably enhance productivity and efficiency, greater solidarity across actors, and the formation of novel partnerships.

As a leading enterprise mainly engaged in the business of (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases, and providing repair and maintenance services in respect of the construction machinery; and (ii) cultivation, research, processing and sales of exocarpium citri grandis and its seedlings, Eagle Legend Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") has been unswervingly focussing on its Environmental, Social and Governance ("ESG") management, aiming to control the risks and tackle the challenges concerning corporate sustainable development. As such, the Group keeps scaling up and speeding up its mobilisation of resources that could benefit in the resilience-building of the Group to climate change, as well as bringing in draconian ESG measures in effort to ensure that natural resources can be utilised in an efficient manner. Meanwhile, the Group also endeavours to create a responsible business that not only pursues stable financial returns, but can enable its business practice to generate long term value and trust among its stakeholders. Thus, the Group has always been committed to the building of a sound ESG management system that integrates all material sustainability-themed topics including business ethics and code of conduct, legal compliance, human rights, environmental care, occupational education and societal engagement, thereby demonstrating strong leadership in driving the sustainable development within the organisation and all groups in the industries where the Group has been and will be involved.

II. ABOUT THE REPORT

In strict compliance with the requirement under Appendix 27 – Environmental, Social and Governance Reporting Guide ("ESG Guide") of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Group is pleased to present its fourth Environmental, Social and Governance Report ("ESG Report") for the year ended 31 December 2019 ("FY2019"), which demonstrates the Group's approach and performance in terms of ESG management and corporate sustainable development for FY2019. For corporate governance section, please refer to the Group's 2019 Annual Report (Page 21 to 33).

The information in this ESG Report was gathered and organised through a wide variety of channels, including but not limited to the internal policies from different subsidiaries of the Group, the factual evidence of the ESG implementation in the Group, the quantitative data of the Group's annual performance in business operations and ESG management under the key performance indicators ("KPIs") of the ESG Guide. To ensure the completeness and clarity of the ESG report delivered to the audiences, the Group referenced the ESG Consultation Conclusions, ESG Disclosure Review, and Global Reporting Initiative Standards ("GRI Standards"), a globally-accepted reporting instrument, in order to cater to its local and global readership. A complete content index and a GRI linkage table are available at the end of the ESG report for readers' convenience to check its integrity. If there is any conflict or inconsistency, the English version shall prevail.

Boundary Setting

In setting the reporting boundary, the Group took into consideration the impacts which resulted from the major operations within the Group during the year under review according to the operational control approach, namely the business of the trading of construction machinery and spare parts, leasing of the construction machinery under operating leases, and providing repair and maintenance services in respect of the construction machinery in Hong Kong and Singapore, and the business of the cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in Huazhou City of the People's Republic of China (the "PRC"). While the Group has been in continuous exploration of new business opportunities, such as the business of property development in Hong Kong that can contribute satisfying returns to the shareholders of the Group in the long run, the scope of this ESG report does not cover other potential business activities other than the two existing businesses mentioned above, which are regarded as the core business of the Group.

III. SUSTAINABILITY MANAGEMENT

The Group insists on its guiding principle of creating value to all and spares no efforts in optimising its sustainability management system. Since its inception, the Group has been focussing on forging an enterprise in which a barrier-free communication is guaranteed between the management and all employees. As such, the Group has followed a top-down management approach combined with a bottom-up working process, aiming to create a purposeful culture that establishes a solid foundation of core values to unite around in the company.

Specifically, the Board takes the lead on and has oversight of the execution of relevant ESG issues. The Board assumes ultimate responsibility for ensuring the effectiveness of the implementation of the Group's ESG policies and sustainability reporting matters. To make sure that the Board can be well-informed of the progress of ESG achievement, execution of business plans and obstacles that the frontline employees face in the implementation, a dedicated ESG team has been built to coordinate daily ESG issues between different business divisions of the Group and the Board. Regular meetings, emails and conference calls are the common ways the Board can be updated of the progress of policy implementation in the Group. In addition to the effective top-down management approach, the bottom-up reporting mechanism enables the Board to review and adjust the policies periodically according to the ever-changing macro-environment and the valuable feedback from general staff.

IV. MESSAGES FROM THE BOARD

With the succession of records being broken year after year in global temperature, which is inherently beset by the increasingly severe storms, floods, droughts and wildfires, the rising social unrest and stress that have occurred more frequently than before, and the volatile global economy that has suffered a significant slowdown amid prolonged trade disputes, Eagle Legend Asia Limited is aware that businesses cannot survive in a world of environmental, economic and social instability or succeed should we choose to ignore the importance of improving the corporate ESG management. As an enterprise with diversified business segments, paying more attention to the resilience building towards the environmental and societal risks is with no doubt vital to sustain our business and lead us to prosper. Therefore, we believe that responding to global trends and challenges, as well as strengthening internal sustainability management of different businesses, are highly important elements in being a responsible and sustainable company.

Regarding our business of exocarpium citri grandis in Huazhou City of the PRC, the uncertain impacts of change-induced increases in temperatures and rainfall precipitation will add pressures to our agricultural sector. With a thorough analysis of the potential climate-related risks we will face according to TCFD recommendations, we consider the increased severity of extreme weather events as a threat that affects our products and services, especially the operating costs and revenues. This has led us to put more resources on innovating and deploying alternative methods that are economically viable, environmentally sound and can protect public health in agricultural practices. Specifically, we are committed to doing more research in making the best use of renewable energy sources including solar panels and wind power to run the business, adopting integrated pest techniques, saving transportation costs and striving for efficient water management in our operations.

Given that the construction projects nowadays are highly mechanised, we believe that choosing the most appropriate equipment from available options from the perspectives of environmental protection and energy conservation is crucial. Following the TCFD recommendations, we regard tougher mandates on and strict regulation of existing products and services as well as investment in new technologies as the high climate-related risks and opportunities to our construction machinery business. As such, we have further raised the bar of procurement standards in terms of product safety and carried out examinations on the safety performance of all equipment on a regular basis, in order to respond to the requirements of our clients. Our construction machineries, particularly tower cranes and passenger hoists, are evaluated and selected against a series of criteria based on the fundamental concept of sustainability, ensuring that those with significant drawbacks for the environment and the people working in its vicinity are eliminated from the list.

Eagle Legend Asia Limited is best known for its perseverance in innovations, robust management system and forward-looking strategies. We are not a Group that only lavishes praise on the passion to embrace sustainable development, but a team of passionate individuals and organisations who are committed to continuing this tradition by setting ambitious targets and putting efforts to achieve them. To lower the waste we generate, we target to reduce the consumption of water by 5% in five years. Paper consumption is also to be declined by 5% over the same timeframe. Apparently, the paradigm of businesses is shifting right now, which pushes us to shape the new landscape that not only focuses on the economic dimension, but learns to respect our environment and shoulder social responsibilities.

V. STAKEHOLDER ENGAGEMENT

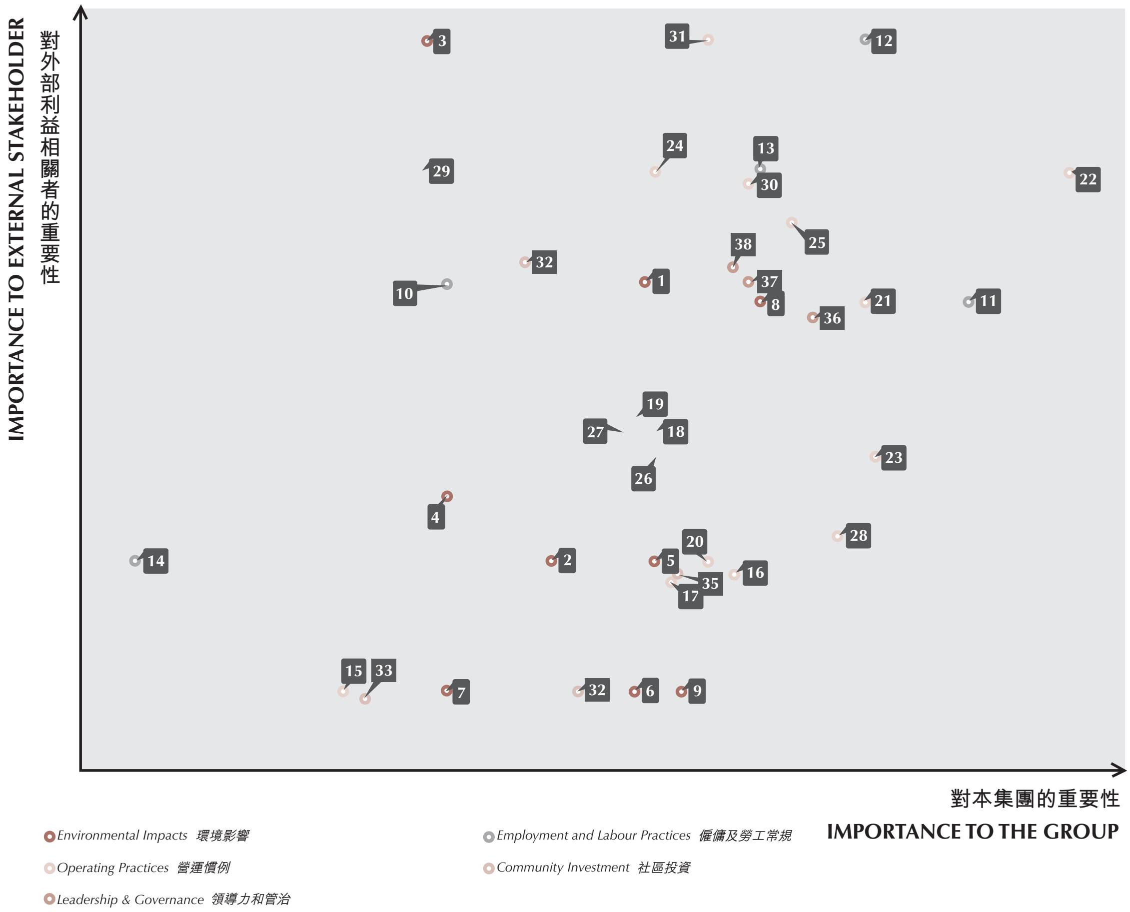
An effective communication with both internal and external stakeholders is essential to the Group's stability in business development and to delivering the Group's environmental, social and economic commitment to value creation. Fostering long-term partnerships between the Group and its stakeholders can help companies identify where they can maximise the positive, reduce the negative, mitigate risks and leverage opportunities. With the goal to strengthen corporate sustainability management while enhancing stakeholders' awareness of ESG and sustainability issues, the Group has made efforts in its internal and external stakeholder inclusiveness. The Group highly values the feedback from its stakeholders and is committed to garnering a better understanding of the concerns of its stakeholders via various channels that are listed in the table below.

Stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations – Anti-corruption policies – Occupational health and safety	– Supervision on the compliance with local laws and regulations – Routine reports and tax payments
Shareholders	– Return on investments – Corporate governance – Business compliance	– Regular reports – Announcements – General meetings – Official website of the Group – Investor briefings
Employees	– Employees' remuneration and benefits – Customer satisfaction – Health and safety in the workplace – Reduce the consumption of various natural resources	– Performance appraisals – Regular meetings and training – Focus groups – Emails, notices, circulars, hotline and team building activities with management
Customers	– Production quality assurance – Protection of customers' privacy and rights – Continuous promotion of reliable products/services to customers	– Customers' satisfaction surveys – Face-to-face meetings and onsite visits – Customer service hotline and emails
Suppliers	– Fair and open procurement – Win-win cooperation – Environmental protection – Protection of intellectual property rights	– Open tender – Contracts and agreements – Telephone discussions – Face-to-face meetings and onsite visits – Industry seminars
Professional organisations	– Policy formulation regulating the practice of employees and business operations – Environmental protection and social responsibility	– Telephone discussion – Questionnaires & Online engagement
General public	– Involvement in communities – Business ethics – Setting out targets and formulating policies in energy conservation and emission control	– Media conferences and responses to enquiries – Public welfare activities – Corporate website – Email

Materiality Assessment

As ESG risks and opportunities vary across industries and different corporate business models of companies, the Group undertook an annual review to identify its stakeholders' main concerns and material interests about ESG issues. In FY2019, the Group engaged its stakeholders in a materiality assessment survey. A group of internal and external stakeholders were identified, prioritised and selected based on their influence and dependence on the Group. Specifically, the Group followed the principles of ISO 26000 (Guidance on Social Responsibility), choosing its stakeholders against a series of criteria. The chosen stakeholders were invited to take part in an online survey to voice their views on a list of ESG issues. The online survey was comprised of multiple questions around ESG topics which were regarded material and relevant to the Group's business development. The objective, transparent and decision-useful materiality assessment allowed the Group to give priority to the topics that were significant to the Group's sustainable development and to map the results in a materiality matrix as shown below. The assessment process demonstrated the Group's emphasis on stakeholders' engagement. The outcome of the survey functioned as a powerful tool that facilitates the Group to develop its action plans for more effective ESG management.

Stakeholder Engagement Materiality Matrix
利益相關者的參與重要性分析矩陣



1	Air and greenhouse gas emissions	14	Preventing child and forced labour	27	Labelling relating to products/services
2	Sewage treatment	15	Selection of local suppliers	28	Product design & Lifecycle management
3	Land use, pollution and restoration	16	Smooth communication and sound relationship with suppliers	29	Number of legal cases filed against the company about bribery, extortion, fraud and money laundering
4	Solid waste treatment	17	Environmental risks (e.g. pollution) of the suppliers	30	Anti-corruption policies and whistle-blowing procedure
5	Energy use	18	Social risks (e.g. monopoly) of the suppliers	31	Anti-corruption training provided to directors and staff
6	Water use	19	Procurement practices	32	Community engagement
7	Use of other raw/packaging materials	20	Environmentally preferable products and services	33	Participation in charitable activities and support public welfare
8	Mitigation measures to protect environment and natural resources	21	Health and safety relating to products/services	34	Cultivation of local employment
9	Climate-related risks	22	Customers satisfaction	35	Business model adaptation and resilience to environmental, social, political and economic risks and opportunities
10	Diversity of employees	23	Marketing and promotion	36	Management of the legal & regulatory environment (regulation-compliance management)
11	Employee remuneration and benefits	24	Observing and protecting intellectual property rights	37	Critical incident risk responsiveness
12	Occupational health and safety	25	Product quality assurance and recall percentage	38	Systemic risk management
13	Employee development and training	26	Protection of consumer information and privacy		

Through the materiality analysis, the Group identified 'Customer Satisfaction', 'Occupational Health and Safety', and 'Anti-Corruption Training Provided to Directors and Staff' as issues of high importance. Given the high degree of concerns on the material issues mentioned above, the Group has carefully priced the risks and opportunities behind those matters and elaborated in detail under different sections of this ESG report.

Stakeholders Feedback

As the Group strives for excellence, the Group welcomes stakeholders' feedback, especially on topics listed as the highest importance in the materiality assessment. Readers are also welcomed to share their views with the Group at infoela@elasialtd.com or www.elasialtd.com.

VI. ENVIRONMENTAL SUSTAINABILITY

To seek sustainability of the environment and the community where it operates, the Group is increasingly prudent in controlling its emissions as well as the consumption of resources, and has strictly complied with relevant environmental laws and regulations in Hong Kong, Singapore and the PRC during its daily operations, including but not limited to the:

- Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法);
- Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法);
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法);
- Law of the People's Republic of China on Conserving Energy (中華人民共和國節約能源法); and
- Agriculture Law of the People's Republic of China (中華人民共和國農業法).

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2019.

A.1. Emissions

In FY2019, the Group was in compliance with applicable laws and regulations concerning air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group. With a strong ambition to minimise its negative impact on the environment, the Group keeps upgrading its equipment with low-carbon technologies and commits to put forward effective measures for emission control.

Given the nature of the Group's business, the air emissions mainly came from fuel combustion for agricultural machineries, oasthouse operations and vehicles for daily transportation. In FY2019, the air emissions of sulphur oxides ("SO_x"), nitrogen oxides ("NO_x") and particulate matter ("PM") amounted to 40 kg, 898 kg and 630 kg, respectively. It is widely known that climate change, driven by greenhouse gas emissions, is affecting our health, economy and ecosystems. The consumption of fossil fuels for agricultural operations and transportation, coupled with the electricity consumption in the offices and other working places constituted the principal sources of greenhouse gases of the Group during the year under review. Specifically, the Group emitted a total of 821.5 tonnes of carbon dioxide equivalent ("CO_2e") (carbon intensity: 5.6 tonnes CO_2e/employee) in FY2019, with emissions from Scope 1 accounting for 71.2% approximately, whereas 27.7% came from Scope 2. Other indirect emissions (Scope 3) reached around 8.8 tonnes. In addition to the GHG emissions from the paper waste disposed of at landfills and from electricity used for processing fresh water by governmental departments, the GHG emissions from electricity used for processing sewage were calculated as well. The solid wastes and wastewater from the Group were non-hazardous, mainly coming from its administration offices, agricultural centres and construction sites. During the year under review, the Group did not generate any hazardous solid wastes or sewage. The Group's total emissions in FY2018 (for the year ended 31 December 2018) and FY2019 are summarised in Table 1 below.

Table 1 The Group's Total Emissions by Category in FY2019 and FY2018***

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2019	Intensity* (Per Employee) in FY2019	Amount in FY2018	Intensity* (Per Employee) in FY2018
Air Emissions**	SO_x	Kg	40	0.3	143	1.2
	NO_x	Kg	898	6.1	2,846	24.1
	PM	Kg	630	4.3	2,285	19.4
GHG Emissions	Scope 1 (Direct Emissions)	Tonnes CO_2e	584.9	–	1,594	–
	Scope 2 (Energy Indirect Emissions)	Tonnes CO_2e	227.8	–	199	–
	Scope 3*** (Other Indirect Emissions)	Tonnes CO_2e	8.8	–	28	–
	Total (Scope 1 & 2 & 3)	Tonnes CO_2e	821.5	5.6	1,821	15.4
Non-hazardous Waste	Solid Wastes	Tonnes	105.3	0.7	148	1.3
	Wastewater****	Tonnes	13,440	91.4	102,933	872.3

* *Intensity was calculated by dividing the amount of air, GHG and other emissions by the total workforce of the Group in FY2019 and FY2018, which was 147 and 118 respectively;*

** *Air emissions included the air pollutants in the exhaust gas from vehicles for transportation and off-road machineries for onsite operations;*

*** *The Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed of at landfills and electricity used for processing fresh water and sewage by government departments;*

**** *The total amount of wastewater generated from the Group in FY2019 was based on the assumption that 100% of the consumed water by the Group entered the building drainage system. The figures in FY2018 were revised accordingly based on the same assumption to ensure the consistency and comparability of the report; and*

***** *The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? - Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the IPCC Emission Factor Database and EMEP/EEA air pollutant emission inventory guidebook 2019.*

Trading and Leasing of Construction Machinery

Emissions from this business segment in Hong Kong and Singapore were mainly the GHG emissions from the consumption of electricity, and disposal of non-hazardous domestic solid waste, construction waste and wastewater generated by the staff in the offices. Neither hazardous solid waste nor hazardous sewage was generated in the Group's business of trading and leasing of construction machinery during the year under review.

To drive down its GHG emissions, the Group has kept bringing forward effective policies and measures in the construction projects and offices, and motivated all its employees to pay attention to small details around them, such as switching off all lights when leaving the office, in order to mitigate climate-related risks at source. In FY2019, the patterns of GHG emissions of this business segment remained unchanged, in which the indirect emissions dominated with most GHG emissions coming from the consumption of electricity. The Group has implemented internal electricity-saving policies in the offices and specific measures are further described in the next subsection under **Electricity**. The solid waste including domestic and construction waste generated from this business segment declined by around 35% in FY2019. To further control its solid waste, the Group has tremendously advocated the 'Reduce, Reuse and Recycle' approach among employees in both Hong Kong and Singapore offices. Meanwhile, the business segment has concentrated on the following three areas in particular, in order to minimise its waste in both offices and construction sites:

- Transitioning to smart and environmentally-friendly purchasing and design, such as the adoption of more advanced and less wasteful technologies;

- Managing raw materials effectively; and

- Strengthening the training to workforces.

In FY2019, the Group educated all employees to reduce the use of disposable items such as plastic tableware. Besides, office stationeries and equipment were highly encouraged to be reused. Any non-recyclable municipal solid wastes such as paper products were collected and disposed of by the property management at regular intervals. Notably, obsolete metal parts and machinery components were stored at certain places for resale to professional third parties for centralised recycling and reuse. Furthermore, despite that the municipal wastewater is normally discharged into the sewage system of the property building, to effectively reduce the amount of wastewater from offices, the Group commits to control the consumption of freshwater, thereby achieving the high water efficiency during operations. Further information regarding water conservation practices in the Group are detailed in the next subsection under **Water**.

Cultivation and Processing of Exocarpium Citri Grandis (化橘紅)

Huazhou City is a major region for the production of exocarpium citri grandis in the PRC and hailed as the 'hometown of exocarpium citri grandis in China'. As an enterprise in the industry for years, especially in terms of production and processing technologies, the Group has not only promoted the research and development of the cultivation and processing of exocarpium citri grandis, but also focused its efforts on the controlling of all discharges from this business segment. In FY2019, the emission patterns of this business segment remained the same, which included air & GHG emissions, and non-hazardous wastewater and solid waste. Notwithstanding that, the total GHG emissions from this business segment dropped dramatically, which was mainly attributed to the considerable reduction of the use of dry wood for agricultural purposes. Specifically, the GHG emissions caused by the burning of dry wood in oasthouses fell by approximately 72.8%. Meanwhile, the tailing off of the consumption of dry wood also led to a drastic decrease of air emissions as the use of dry wood has always been seen as the culprit of total air emissions of the Group. To deepen its implementation of policies in the control of air & GHG emissions from this business segment, the Group has put emphasis on two areas particularly – moving to green technology and reduction of energy resources through applicable practices, which are detailed in the Group's internal policies in the subsections under **A.2. Use of Resources**. Domestic wastewater generated from this business segment was directly discharged into the local sewerage system, while the small amount of solid waste was recycled and collected by local companies for waste management if necessary. Notably, the sewage in FY2019 from this business segment was under strict surveillance and effective management of the Group, plummeting to 7,580 m^3 and occupying only 8% of the figure in FY2018. Such magnificent success in diminishing the generation of wastewater marked the solid progress of the Group towards the building of a more sustainable operation model.

A.2. Use of Resources

In FY2019, the main resources consumed by the Group were electricity, gasoline, diesel, dry wood, water, paper and woven bags as packaging materials. Table 2 illustrates the amount of different resources consumed by the Group in FY2019 and FY2018.

Table 2 Group's Total Use of Resources by Category in FY2019 and FY2018

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2019	Intensity* (Per Employee) in FY2019	Amount in FY2018	Intensity* (Per Employee) in FY2018
Energy**	Electricity	kWh	458,803	3,121.1	424,251	3,595.3
	Gasoline	L	9,938	67.6	26,944	228.3
	Diesel	L	55,396	376.8	3,965	33.6
	Dry wood	Tonnes	232	1.6	851	7.2
Water	Water	m^3	13,440	91.4	102,933	872.3
Paper	Paper	Tonnes	0.88	6.0×10^{-3}	1	8.5×10^{-3}
Packaging Materials***	Woven bags	Kg	2,535	17.2	2,080	17.6
	Metal	Kg	400	2.7	–	–
	Plastic	Kg	20	0.1	–	–

* *Intensity was calculated by dividing the amount of consumed resources by the total workforce of the Group in FY2019 and FY2018, which was 147 and 118, respectively;*

** *Gasoline and diesel included both the fuel consumption for on-road vehicles for the purpose of transportation and non-road machineries for the purpose of agricultural and industrial operations; and*

*** *In FY2019, the Group furthered its reporting scope and incorporated the measurement of other packaging materials in the operations in Singapore.*

Electricity

In FY2019, while the total electricity consumption of the Group increased slightly as compared to the figure in FY2018, the intensity per employee dropped by approximately 13%. Specifically, the business operations of the Group in Singapore was still the primary source of electricity consumption, to which the Group has paid great attention and required all business units of the Group, especially the Singapore branch, to stringently comply with relevant regulations and the Group's policies of electricity conservation. To lower the consumption of electricity so as to diminish its GHG emissions, the Group has embedded the concept of 'Saving Electricity' into its environmental management system and business strategies. In particular, the Group implemented the following practices:

- Turn off all lights, electronics and other equipment at the end of the day;
- Switch off all idle lights and air conditioners (e.g. most electrical device will be turned off during lunch time);
- Place 'Save electricity and turn off the light when you leave please' posters to encourage workers and employees to conserve energy;
- Replace lamps that consume large amounts of electricity with more efficient LED lighting fixture in the offices; and
- Encourage all employees to open curtains and utilise the natural sunlight for lighting in the office when possible.

Other energy resources

The Group consumed gasoline and diesel for its vehicles and tractors, and firewood for the baking oven. In FY2019, the energy consumption of gasoline, diesel and dry wood amounted to 5,973 Gigajoules (GJ) in total, dropping by 58% when compared with the figure in FY2018, which was around 14,316 GJ. Specifically, despite a moderate rise in the use of diesel of which the Group will put more focus on the control in the near future, it can be found that the consumption of gasoline and dry wood in the Group has been successfully reduced. The Group has endeavoured in minimising the burning of dry wood as its energy sources for its agricultural operations in Huazhou City and committed to further its transitioning towards clean energy soon. It is worth noting that in FY2019, the Group kept upgrading the oasthouses and realised the recirculation of exhaust warm air, trying to enhance the energy efficiency during operations. Such improvement not only reduced the energy consumption during drying process, it also lead to the short duration of drying process, which, as a result, substantially enhanced the productivity in oasthouses.

Water

Water management has long been regarded as an important task in the business operations of the Group. In FY2019, the Group did not face any issue in sourcing water and the total water consumption of the Group fell by 87% approximately. The Group fully followed its policy of water conservation in businesses, especially in its business of Cultivation and Processing of Exocarpium Citri Grandis, where a series measures have been taken including taking advantage of the rainwater harvesting systems to store rainwater and the recycling of municipal wastewater for irrigation. Meanwhile, the Group instilled the concept of 'Water Footprint' in its employees from all business segments, encouraging them to make small behavioural changes in efficient water consumption. To further improve the utilisation efficiency of water resources, the Group adopted the following practices during the year under review:

- Place posters "Saving Water Resource" in prominent places to encourage water conservation;
- Fix dripping taps immediately and avoid any leakage of the water supply system;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage;
- Purchase water-saving equipment; and
- Collect rainwater for plants watering and floor cleaning.

Paper

Paper was mainly consumed by the Group in its offices for administrative purposes, and the large consumption always comes along with hefty environmental side-effects. In FY2019, the total amount of paper used by the Group declined by around 10% owing to the efforts of all subsidiaries in the control of paper resources. Meanwhile, the Group highly advocated the reuse and recycling of waste paper. During the year under review, the Group successfully recycled 76 kg of paper in Singapore, which was a great move that the Group will recommend to all its offices to learn from. In the future, the Group commit to further reduce the generation of waste paper through the following measures:

- Reuse the paper which has been used on one side only for scrap paper;
- Make two-sided copies;
- Promote the concept of 'paperless office', and disseminate information by electronic means to minimise the number of paper-made files;
- Put boxes and trays as containers beside photocopiers to collect single-sided paper for reuse; and
- Periodically review the implementation of paper-saving policies in the Group and set targets in the procurement and recycling of paper accordingly.

Packaging Materials

Woven bag was the major packaging material that the business of Cultivation and Processing of Exocarpium Citri Grandis of the Group purchased and used during its operations. In FY2019, while the number of woven bags consumed by the Group ascended, its intensity per employee was lower than last year. Additionally, the Group furthered its reporting scope in the measurement and disclosure of the information about packaging materials, incorporating the metal, plastic and paper-made materials used for packaging purposes into the metrics of sustainability performance. The Group has been committed to optimising its material management system through estimating, measuring, recording and comparing the quantity of used packaging materials in years on a continuous basis.

A.3. The Environment and Natural Resources

In line with the improved profitability, strengthened financial position and increased reputation in the industry over recent years, the Group has been satisfied that its products and services not only has deepened its relationship with customers, suppliers, business partners and other stakeholders, but enabled that business model is now under an effective transformation towards new technologies and smart operations that encompass economic, environmental and social considerations harmoniously. The Group firmly believes that the efficient, eco-friendly and sustainable operational practices regulated by internal polices and facilitated by forward-looking corporate visions are the prerequisite for long-term economic growth. As such, the Group has evaluated its business model and daily practices in a comprehensive way in order to understand how its businesses influence the environment and vice versa. Obviously, while the operations of both the businesses of Cultivation and Processing of Exocarpium Citri Grandis and Construction Machinery do cause direct or indirect repercussions on the environment to vary degrees due to the unavoidable emissions and exploitation of natural resources, the Group has been focussing on its environmental management for years and has already made solid process in transitioning to a climate-resilient and more 'Green' enterprise.

Breaking down the impacts of the Group's two businesses, of top priority are the burning of dry wood and use of water resources in the agricultural sector, and fuel consumption during the operations of construct machineries, which not only have drawn the Group's attention, but also necessitates an urgent action taken by the Group to tackle the problems. In FY2019, the Group kept focussing near-term technology investments on reducing both costs and emissions where feasible, benchmarking the best practice in the market that reduces, reuses and recycles the waste in a proper way, and working hard on the optimisation of operational system, in a bid to lower its environmental impact. For instance, the huge investment in the research and development on the innovation of cultivation and processing practice, and the provision of scientific guidance on the management of water usage throughout these years have made the Group a less water-intensive enterprise. In FY2019, a staggering drop of water consumption in the agricultural section was witnessed, showcasing the progress of the Group in sustainable water management. In the meantime, with a strong determination to diminish the use of dry wood, the business of Cultivation and Processing of Exocarpium Citri Grandis has insisted on the pursuit of a clean operational mode with its consumption of dry wood descending significantly. Regarding the reliance on gasoline and diesel for operations in the construction sites, the Group kept pushing forward new procurement policies, in which a higher level of standard in equipment safety, duration and energy efficiency are implemented.

Considering the business nature and its unique geographical advantage, climate change would exert little influence on the development of both businesses of the Group. Nevertheless, the Group will still stick to the '5 Principles and 20 Actions' recommended in 'Transforming Food and Agriculture to Achieve the SDGs', and respond by improving fuel efficiency in operations and moving towards lower carbon alternatives. Looking forward, the Group will dedicate itself to fulfilling its environmental responsibilities, aligning its internal sustainability goals with the targets and progress of SDGs, grasp the technological innovation as a positive thrust for the advancement towards sustainability, and taking actions as part of our sustainable growth strategy.

VII. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

As a diversified enterprise that relies on constant innovation, technological advancement and strenuous efforts of all employees, the Group treasures employee's talent and strives to provide its employees with a safe and suitable platform for gaining professional knowledge, developing vocational career and living a fulfilling life. As at the end of FY2019, the Group had a total of 147 employees and the number of employees working in the PRC, Hong Kong and Singapore constituted 39%, 28% and 33% of the total workforce, respectively.

Table 3 Total Workforce of the Group by Gender and Age in FY2019

By gender \ By age	Below 30	Between 31 and 40	Between 41 and 50	Above 51	Total
Male	27	27	28	34	116
Female	4	13	10	4	31
Total	31	40	38	38	147

Law Compliance

The Group's employment policies have been updated and adjusted regularly, in order to cater to the desire of market since its inception and abide by the latest laws and regulations in Hong Kong, the PRC and Singapore. In FY2019, the Group complied with the applicable laws and regulations, including but not limited to the

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);
- Labour Law of the People's Republic of China (中華人民共和國勞動法)；
- Insurance Law of the People's Republic of China (中華人民共和國社會保險法); and
- Employment Act (Singapore).

Recruitment, promotion, and dismissal

The Group has adopted a set of clear procedures regulated in 'Personnel Recruitment Plan', in its general and campus recruitment. To attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits based on the individuals' educational background, personal attributes, job experiences, career aspirations and other factors. To ensure that candidates and employees remain enthusiastic in their positions and take initiatives to accomplish every task that they have been assigned, the Group refers to market benchmarks in relation to staff promotion and determine the remuneration, benefits, promotion standard and other employment-related matters according to market standards and internal policies. As talent retention is vital to the sustainable business development, the Group reviews its compensation packages and make appraisals on the employee's capability and performance on a regular basis.

Working hours and rest periods

The Group has formulated internal policies based on local employment laws including the 'Provisions of the State Council on Employees' Working Hours' (國務院關於職工工作時間的規定) to determine appropriate working hours and rest periods for its employees. In accordance with relevant laws and regulations, the Group monitors and manages its employee's working hours and compensate those who work overtime. The Group is committed to heightening productivity during the limited time for work, thereby optimising the working hours of its employees while maintaining its robust competitiveness in the industry.

Equal opportunity and anti-discrimination

As an equal opportunity employer, the Group has been committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. In the Group, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related elements. Sticking to its employment policies, the Group ensures that any workplace discrimination, harassment or vilification is prohibited in accordance with local ordinances and regulations. Employees are encouraged to report any incidents involving discrimination to the Human Resource Department of the Group. The Group will conduct investigations and take any necessary disciplinary actions on the responsible individuals.

Other benefits and welfare

Abiding by the relevant national laws and regulations, the Group provides employment injury insurance for its employees. Meanwhile, meals, uniforms, and well-equipped dormitories are offered by the Group to employees in the business of exocarpium citri grandis. The Group believes that a barrier-free communication and between the management of the Group and its employees is vital to creating a harmonious atmosphere within the organisation and bolstering up employees' courage to take up their responsibilities for their work. In FY2019, the Group arranged a host of activities for its employees, including birthday lunches, BBQ gathering and annual dinner.

In FY2019, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2. Health and Safety

It is inevitable that occupational health and safety-related issues are highly important to both the agricultural sector and construction machinery business of the Group. To provide and maintain a safe and clean working environment for employees, the Group has set up internal safety and health policies that are in line with relevant laws and regulations in Hong Kong, the PRC, and Singapore, including but not limited to the:

- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);
- Production Safety Law of the People's Republic of China (中華人民共和國安全生產法);
- Law of the People's Republic of China on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法);
- Regulation on Work-Related Injury Insurance (工傷保險條例);
- Work Injury Compensation Act (Singapore); and
- Workplace Safety and Health (WSH) Act (Singapore)

To prevent the occurrence of accidents and enhance the employees' health and safety awareness, the Group has followed its internal policies and organised a multitude of training courses and seminars about occupational health and safety for its employees. The Group rigorously sticks to the instructions of the ISO 45001 Occupational Health and Safety Management Systems, striving for zero accidents of all persons involved in work. The Group has also built professional teams for the management of daily Occupational Health and Safety (OH&S) affairs. In the business of construction machinery, for example, the Repair & Maintenance Department and Services Department are the divisions responsible for the supervision of the implementation of OH&S policies.

Different business segments of the Group have also implemented effective policies in the OH&S management and made solid progress to varying degrees. Licensed workers in Hong Kong, for example, are required to complete the compulsory Occupational Safety and Health courses provided by the Construction Industry Council and obtain the qualification or renew safety card. According to the Safety Management Framework, different departments have specific duties to abate the occupational health and safety risks. For instance, warehouse manager holds responsibility for warehouse works; R&M (Repair and Maintenance) managers for workshop and onsite R&M work; Passenger Hoist team for any service work regarding the passenger hoist. Furthermore, the Group attaches importance to the details in its EHS (Environment, Health and Safety) management. All fire extinguishers are checked, maintained and replaced periodically by internal staff. The subsidiary of the Group in Singapore, which was ISO 45001 certified, has been awarded the 'BizSafe Star' certification from the Workplace Safety and Health Council.

While meeting customers' expectations with quality services and products is important to the Group, it is also critical to take precautionary actions to ensure the health, safety and well-being for all its employees at the same time. In FY2019, the total lost days due to work-related injury in the Group were 33 days and the number of casualties due to work remained at zero. The Group was in compliance with the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that may have a significant impact on the Group during the year under review.

B.3. Development and Training

A well-designed training management system not only advances employees' skills, but also allows the company to keep up with industry changes and stay ahead of its competitors. The Group, thus, has laid great emphasis on the training of employees, and set up a sound policy for planning its corporate training programmes every year.

Specifically, a complete training package is normally provided to all new hires, covering the History of Company, Corporate Governance Structure, Corporate Culture, Business Processes, and Management System. As for experienced employees, profession-oriented courses are offered according to the corporate demands and employees' expectations. Through the provision of various types of training opportunities, the Group strives to make sure that all employees are technically competent to complete their daily tasks.

To further enhance its employees' professional skills and meet the needs of the Group's development goal, signing up for relevant qualification examinations and external training is greatly encouraged. In FY2019, the employees from the business of construction machinery, for instance, participated in a number of training programmes held by the Construction Industry Council such as 'Safety Training Revalidation Course for Construction Workers of Specified Trade'. Employees who have attended the professional qualification examinations and obtained vocational qualification certificates could receive a reimbursement from the Group.

In FY2019, there were a total of 63 employees who took a range of training courses organised either by the Group internally or external organisations such as Construction Industry Council, Hong Kong Institute of Construction and Vocational Training Council, and the training time of all participants amounted to 619 hours in total.

B.4. Labour Standards

In FY2019, the Group abided by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China (中華人民共和國勞動法) and Employment Act (Singapore) to prohibit any child and forced labour employment. To combat against illegal employment on child labour, underage workers and forced labour, the Group's human resources department requires all job applicants to provide valid identity documents to ensure that they are lawfully employable prior to confirmation of any employment. The Human Resource Department is responsible for monitoring and ensuring the compliance of corporate policies and practice with latest laws that prohibit child labour and forced labour. Any labour-related issues the Group has identified and uncovered will be dealt with diligently and firm actions will be taken immediately, such as the termination of employment contract.

In FY2019, the Group was in compliance with the relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

B.5. Supply Chain Management

The robust supply base and sound relationship with suppliers are essential to meet demand in the high-volume market. As a socially responsible enterprise, the Group has always been conscious of its duties and obligations to strengthen the management and control on its suppliers, sub-contractors and other stakeholders from the perspectives of environmentally-friendly production process, procurement practice, safety monitoring, and strategic planning for future collaboration.

Trading and Leasing of Construction Machinery

In years, the Group has been the authorised dealer on trading and leasing of "Potain" brand tower cranes in Hong Kong. The manufacturer of "Potain" brand tower cranes is Manitowoc Crane Group Asia Pte ("Manitowoc"), the Group's major supplier in the business of Trading and Leasing of Construction Machinery. Since the year 2016, Manta Hong Kong has also been the exclusive dealer of GJJ passenger hoists by Jing Long Eng. Machinery Co., Ltd. (廣州市京龍工程機械有限公司) ("Jing Long") in Hong Kong and Macau. The Group has formal written distribution agreements for both dealerships.

While the work of installation, erection, floor climbing operation and dismantling work of tower cranes and passenger hoists is outsourced to third party subcontractors through tendering process, the Group has been aware of and endeavours to address the potential risks during the tendering process and post-management on the performance of sub-contractors, in order to ensure that all suppliers comply with the requirement that has been agreed upon in the contract based on rounds of negotiations. In terms of tendering process, to stabilise the supply chain and avoid the monopoly of supply, the Group normally keeps in touch with three tenders normally. The Group carries out several rounds of quotations, careful investigation of the product quality, and verification of the environmental management qualification and certification before making decisions. The Group insists on a fair and transparent tendering process, and regulates that factors including law-compliance, business licenses and job reference and certification must be considered in the sub-contractor selection process and archived.

The Group commits to lessen the negative environmental impact that might arise in sourcing activities. The service supervisor needs to inspect the works performed by the sub-contractors on site, provides relevant advisory support, and records any inappropriate practice, to ensure the quality of work and operating performance meet both the technical and environmental requirements. The Group values the partnership with its suppliers and believes that a long-term cooperation could drive efficiency, quality and responsible behaviour throughout the value chain. In FY2019, the construction machinery business had 45 suppliers in total and the Group kept an effective engagement all its suppliers.

Cultivation and Processing of Exocarpium Citri Grandis

In this business segment, the major raw materials from suppliers are organic fertilisers such as animal manure and pesticides such as kasugamycin. The basic criteria against which the business segment uses in selecting its suppliers include supplier's capability of the stable supply of quality products, law compliance, good reputation and costs. Following a strict rule in supplier selection, the procurement department screens the suppliers through a comprehensive background check and makes a recommendation list first, in which all candidates are required to submit their business licences, product qualification certificates, product inspection reports and other relevant documents for verification. The team leader then picks the most suitable one in terms of the overall comparison. It is the responsibility of the procurement and audit departments to oversee the selection process and annual reviewing of suppliers. Once the input of supplies is in place, the laboratory owned by the Group runs tests on the materials to make sure that all materials comply with the quality standards of the Group and relevant national safety standards. If the supplied materials fail the tests, the procurement department will negotiate with the supplier for refund under the contract and follow up the incident. To better illustrate the Exocarpium Citri Grandis business, a concise supply chain management of the Group is described in the diagram below. The procurement of other chemicals such as kasugamysin needs to follow a strict procedure as well, from the procurement application submitted by the production management department of farms, approval by general managers, selection of suppliers and signing contracts by the administrative department, to the acceptance check.

To prevent the supply shortage, the Group normally gives a notice to its suppliers to stock up the materials that are in high demand in advance. The Group believes that this measure could to large extent lower the risks of the scarcity of supply, which may lead to irrevocable loss. The Group keeps in touch with its business partners including suppliers via face-to-face meetings, phone calls and emails on a regular basis. The engagement allows the Group to respond and tackle any unpredictable emergency rapidly.

For the purchase of common user items and operational facilities such as agricultural equipment, the Group has adopted the strategy of 'Green Procurement', evaluating the tender offers with an emphasis on its locations and the energy efficiency of its products. In FY2019, the number of suppliers of this business segment was 5 and 80% suppliers came from Huazhou City.

B.6. Product Responsibility

With regard to the Group's health and safety, advertising, labelling and privacy matters of its products and services, the Group was in full compliance with the relevant rules, regulations and standards in Hong Kong, the PRC and Singapore, including but not limited to the:

- Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Hong Kong);
- Guidelines on Safety of Tower Cranes (Hong Kong);
- Guidelines on Safety of Lift Shaft Works (Hong Kong);
- Code of Practice for Safe Use of Tower Cranes (Hong Kong);
- Boilers and Pressure Vessels Ordinance (Hong Kong);
- Code of Practice for Owners of Boilers and Pressure Vessels (Hong Kong);
- Workplace Safety and Health Act (Singapore);
- Work Injury Compensation Act (Singapore);
- Pharmacopoeia of the People's Republic of China (2015版中國藥典);
- Product Quality Law of the People's Republic of China (中華人民共和國產品質量法);
- Production Safety Law of the People's Republic of China (中華人民共和國安全生產法);
- Patent Law of the People's Republic of China (中華人民共和國專利法);
- Trademark Law of the People's Republic of China (中華人民共和國商標法);
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法);
- Advertising Law of the People's Republic of China (中華人民共和國廣告法); and
- Intellectual Property Law of the People's Republic of China (中華人民共和國知識產權法).

Trading and Leasing of Construction Machinery

Product safety is vital to the business of Trading and Leasing of Construction Machinery in Hong Kong and Singapore, as the main requirement of the operation of tower cranes is the guarantee of their reliability under adverse external influences. As Manitowoc is the Group's only supplier of "Potain" brand tower cranes in Hong Kong and Singapore, the Group adheres to the Potain's product operating and maintenance manuals, 'Guidelines on Safety of Tower Cranes' and its internal policies in the maintenance works to eliminate the risks during construction project that might be caused by the aging, failure, or other malfunctions. The basic maintenance including painting, polishing and reinforcement of connecting parts, and lubrication of moving components are carried out on a regular basis, while a more thorough check and maintenance is conducted after the rental period in order to keep the high efficiency of equipment. Before the erection, climbing and dismantling of machines, relevant inspections are necessary and required to be carried out in a discreet way by professionals. In Hong Kong, the subsidiary normally engages external government Authorised Examiners ("AE") to perform ultrasonic test and corrosion prevention test along with professional engineering calculations before operations. In Singapore, a certification from AE is necessitated for erected T-cranes. It is worth mentioning that the labour department of the Group in Hong Kong is responsible for enforcing the requirements of OH&S regulations in the company and has, therefore, set up a legislative framework as reference and advisory guides for health and safety assurance in operations. In FY2019, the Hong Kong Housing Authorities updated its relevant guidelines about the installation of a secondary braking system in all tower cranes used in its job sites. Following this requirement, the Group will retrofit and upgrade its fleet accordingly and ensure the stability of all machineries.

With an ambitious goal to provide a desired and successful solution to its clients, the Group values its customers' experience in using the services and products. As the business segment includes a variety of types of services, such as machinery rental and maintenance, the Group is committed to satisfying all its clients with the best solutions that are tailor-made for each one. The Group has built an in-house servicing team with professional engineers and experts in Hong Kong and Singapore to cope with post-sale issues, such as repair and maintenance. Customers' requests and enquiries regarding the operation of machineries should be resolved in a timely manner. Onsite inspections and guidance are necessary to make sure that the customers of the Group can operate the equipment and achieve their goals safely and successfully. To ensure a rapid response and efficient problem-solving process, an abundant inventory of replacement and spare components for maintenance is important. As such, the Group has established an efficient system on the management of repair & maintenance items. Once any complaint is received from its clients, the Quality Control department of the Group will make an investigation and verify the case accordingly. The substantiated complaints are then addressed and the professional team of the Group is responsible for taking corrective actions, ensuring that all customers' complaints can be resolved efficiently. The Group welcomes the feedback regardless of whether it is a positive compliment or suggestion for improvement, and sees the valuable piece of advice from its customers as opportunities to sum up experience and enhance service quality. The Group has also set up an internal 'Product Recall Control Procedures' policy, specifying a strict procedure to deal with any matters regarding product recall that might be caused by product defect, safety hazard or non-compliance with relevant regulations.

Cultivation and Processing of Exocarpium Citri Grandis

The product of exocarpium citri grandis from the Group is certified of 'National Geographical Indications Protection Product (國家地理標誌保護產品)' by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ). In this business segment, product quality and intellectual property rights are the most significant affairs in its product responsibility. To ensure that the top-notch and reliable products could be delivered to its customers, the Group has been certified of Good Agricultural Practice ("GAP") (GB/T20014) and insisted on the implementation of a series of effective measures according to its internal quality control policies. The non-hazardous fertilizers and pesticides are the first choices of the Group during its procurement, which the Group believes is a critical step to improve the quality and safety of Exocarpium Citri Grandis that is produced by the Group. The dried fruits of Exocarpium Citri Grandis in the business segment can be split into four classes. The Group has set up detailed procedures for the processing of Exocarpium Citri Grandis. Specifically, to maintain the Group's reputational standing in the market, the Exocarpium Citri Grandis needs to undergo strict sorting and packing process.

The intellectual property rights (IPR) is another vital issue that the Group has been dedicated to protecting in a legal way for years given the Group's unique business nature. To make sure that the corporate intellectual property rights can be protected, the Group sticks to the 'Enterprise Intellectual Property Management Standard (GB/T 29490-2013)' to restructure and optimise its internal IPR protection system. The Group has been working on the formulation of internal policies, which are aimed to guide the entire enterprise to manage its proprietary technology and invention.

To prevent any biased or exaggerated advertisement that might violate the Advertising Law of the People's Republic of China 《中華人民共和國廣告法》, the Group has adhered to its internal guidelines for the management of branding and advertising affairs, and appointed professionals to monitor its marketing materials, product labelling and promotion practice. Meanwhile, the Group endeavours to protect its customers' privacy and prohibit any provision of customer's information to external parties without the authorisation of its customers. All collected personal data of customers during the course of business is treated confidentially and can be accessible by designated personnel only.

In FY2019, the Group was in compliance with relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products that may have a significant impact on the Group.

B.7. Anti-corruption

To maintain a fair, ethical and efficient working environment, the Group abided by the local laws and regulations relating to anti-corruption and bribery in FY2019, including but not limited to the:

- Anti-corruption law of the People's Republic of China (中華人民共和國反腐敗法);
- Law of the People's Republic of China on Anti-Money Laundering (中華人民共和國反洗錢法);
- Interim Provisions on Banning Commercial Bribery (國家工商行政管理局關於禁止商業賄賂行為的暫行規定);
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong);
- Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong); and
- Prevention of Corruption Act (Singapore).

The Group has formulated and strictly enforced its anti-corruption policies as stipulated in its 'Code of Conduct and Discipline' and 'Staff Handbook' to manage any fraudulent practices within the organisation. The Group prohibits all forms of bribery and corruption and requires all employees to conform to the codes of professional ethics. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities which might exploit their positions against the Group's interests. During the year under review, no concluded legal cases regarding corrupt practices were brought against the Group or its employees.

Whistle-blowers can report verbally or in writing to the Audit Committee of the Group for any suspected misconduct with evidence. Any suspiciously illegal behaviour would be investigated, evaluated and disciplined then to protect the Group's interests. The Group promotes an effective grievance mechanism to protect the whistle-blowers from unfair dismissal or victimisation.

In FY2019, the Group has arranged around 10 anti-corruption training courses and seminars to its employees. A 2.5 hours' training lecture called 'Sunshine You and Me', for example, was held in the business segment of the Cultivation and Processing of Exocarpium Citri Grandis, in which 19 employees received the education and learned the importance of being honest, fair and diligent in their work and lives. During the year under review, the Group was in compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

COMMUNITY

B.8. Community Investment

It is the one of the core values of the Group to generate significant upstream and downstream impacts on sustainability in the surrounding environment with its community members. With the empathy to commit itself to the development of local communities, the Group has been working to build a vibrant civil society through proactive community investment and concerted efforts with all social partners. In particular, the Group has been focussing on partnering with charitable institutions to bring love, care and happiness to the underprivileged and people who genuinely need the help. Rainbow Foundation, a registered charitable institution in Hong Kong, is the partner with which the Group has been in collaboration in its social contribution for a long period. In FY2019, the Group donated HK$5,000 and HK$1,000 to the Rainbow Foundation, sponsoring the campaign of 'Small People Big Story' and Charity Walk event respectively. With a solid relationship with local welfare organisations, the Group is committed to fulfilling its social responsibilities by making significant impacts on individuals in need. Meanwhile, the Group has also been supporting the infrastructure re-construction for local communities of Huazhou City, aiming to provide convenience to local dwellers and proactively integrating the SDGs into its corporate strategy in community investment.

Looking forward, the Group will bear in mind its social responsibilities as a corporate citizen, trying its utmost to make positive contributions to the prosperity and harmony of communities where it operates.

Grant Thornton
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TO THE MEMBERS OF EAGLE LEGEND ASIA LIMITED 鵬程亞洲有限公司
(incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Eagle Legend Asia Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 61 to 162, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and so as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As at 31 December 2019, the Group held 51% equity interest in Best Earnest Investments Limited (佳誠投資有限公司) ("Best Earnest") and its subsidiaries (the "Best Earnest Group"). The principal activities of the Best Earnest Group are cultivation, research, processing and sales of exocarpium citri grandis and its seedlings that are solely carried out by its 80% owned subsidiary, Guangdong Dahe Biological Technologies Limited (廣東大合生物科技股份有限公司) ("Guangdong Dahe"). On 20 December 2019, the Board of Directors resolved to dispose of the Best Earnest Group. Subsequently on 24 February 2020, the Group entered into an agreement with a Purchaser (the "Purchaser"), pursuant to which the Group conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire equity interest of Best Earnest. Accordingly, the Best Earnest Group was classified as a disposal group held for sale and as a discontinued operations as at 31 December 2019.

The Group has dispute with the non-controlling shareholders of Guangdong Dahe. As such, management of the Group was not allowed access to complete sets of management and accounting records of Guangdong Dahe and we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the profit from the discontinued operations of approximately HK$81,785,000 for the year ended 31 December 2019, assets classified as held for sale of approximately HK$578,424,000 and liabilities associated with assets classified as held for sale of approximately HK$30,795,000 as at 31 December 2019 and the related disclosures, as included in the consolidated financial statements of the Group, were fairly stated.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

In addition, due to the dispute between the Group and the non-controlling shareholders of Guangdong Dahe, we were unable to obtain sufficient appropriate audit evidence to ascertain the existence, accuracy, presentation and completeness of balances of the biological assets of approximately HK$6,052,000, property, plant and equipment of approximately HK$229,743,000, inventories and consumables of approximately HK$75,338,000, prepayments, deposits and other receivables of approximately HK$2,087,000, cash and cash equivalents of approximately HK$105,044,000, trade payables of approximately HK$5,224,000, and receipt in advance, accruals and other payables of approximately HK$7,388,000 and deferred government grant of approximately HK$8,829,000 of the Best Earnest Group as at 31 December 2018 and its result for the year ended 31 December 2018 that were audited by the predecessor auditor.

As a result, we were unable to determine whether any adjustments were necessary in respect of the Group's net assets as at 31 December 2019 and 2018 and the results and cash flows for the years then ended.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of 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 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

27 March 2020

Ng Ka Kong
Practising Certificate No.: P06919

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations			
Revenue	8	**124,473**	108,277
Cost of sales and services		**(70,682)**	(60,882)
Gross profit		**53,791**	47,395
Other income and gains	9	**1,410**	5,563
Selling and distribution expenses		**(2,851)**	(2,729)
Administrative expenses		**(52,505)**	(56,285)
Other operating expenses	10	**(42,741)**	(38,058)
Finance costs	11	**(22,022)**	(37,766)
Loss before income tax	12	**(64,918)**	(81,880)
Income tax (expense)/credit	14	**(567)**	1,833
Loss for the year from continuing operations		**(65,485)**	(80,047)
Discontinued operations			
Profit for the year from discontinued operations	13	**81,785**	91,686
Profit for the year		**16,300**	11,639
Continuing operations			
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
(Loss)/gain on revaluation of properties, net of tax		**(699)**	1,780
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**276**	(1,130)
Other comprehensive (loss)/income for the year from continuing operations		**(423)**	650

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (restated)
Discontinued operations			
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(7,657)**	(25,888)
Other comprehensive loss for the year from discontinued operations		**(7,657)**	(25,888)
Other comprehensive loss for the year		**(8,080)**	(25,238)
Total comprehensive income/(loss) for the year		**8,220**	(13,599)
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(65,442)**	(80,078)
– Discontinued operations		**33,269**	37,406
Loss for the year attributable to owners of the Company		**(32,173)**	(42,672)
Non-controlling interests			
– Continuing operations		**(43)**	31
– Discontinued operations		**48,516**	54,280
Profit for the year attributable to non-controlling interests		**48,473**	54,311
		16,300	11,639
Total comprehensive income attributable to:			
– Owners of the Company		**(36,314)**	(52,187)
– Non-controlling interests		**44,534**	38,588
		8,220	(13,599)
Loss per share from continuing and discontinued operations			
– Basic and diluted (HK cents)	*16*	**(3.04)**	(4.03)
Loss per share from continuing operations			
– Basic and diluted (HK cents)	*16*	**(6.17)**	(7.55)
Earnings per share from discontinued operations			
– Basic and diluted (HK cents)	*16*	**3.13**	3.52

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*18*	**136,431**	489,116
Right-of-use assets	*19*	**104,793**	–
Goodwill	*20*	**–**	75,706
Deferred tax assets	*32*	**101**	–
Deposit	*24*	**322**	107
		241,647	564,929
Current assets			
Biological assets	*21*	**–**	6,052
Inventories and consumables	*22*	**11,869**	92,012
Trade receivables	*23*	**43,083**	26,363
Prepayments, deposits and other receivables	*24*	**6,653**	8,704
Cash and cash equivalents	*25*	**25,326**	120,487
		86,931	253,618
Assets classified as held for sale	*39*	**578,424**	–
		665,355	253,618
Current liabilities			
Trade payables	*26*	**35,718**	27,145
Receipt in advance, accruals and other payables	*27*	**49,543**	31,832
Contract liabilities	*27*	**78**	2,858
Bank borrowing	*28*	**2,153**	2,100
Shareholder's loans	*29*	**183,000**	178,000
Lease liabilities	*30*	**26,740**	–
Finance lease payables	*30*	**–**	28,610
Deferred government grants	*31*	**–**	1,155
Amount due to a related company	*42*	**40,000**	–
Tax payable		**188**	–
		337,420	271,700
Liabilities directly associated with assets classified as held for sale	*39*	**30,795**	–
		368,215	271,700
Net current assets/(liabilities)		**297,140**	(18,082)
Total assets less current liabilities		**538,787**	546,847

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Bank borrowing	*28*	**11,707**	13,754
Lease liabilities	*30*	**34,305**	–
Finance lease payables	*30*	**–**	41,341
Deferred government grants	*31*	**–**	7,674
Deferred tax liabilities	*32*	**2,197**	1,720
		48,209	64,489
Net assets		**490,578**	482,358
EQUITY			
Share capital	*33*	**10,600**	10,600
Reserves	*34*	**224,937**	261,251
Equity attributable to the owners of the Company		**235,537**	271,851
Non-controlling interests	*38*	**255,041**	210,507
Total equity		**490,578**	482,358

Guo Peineng
Executive Director

Zhao Yi
Executive Director

for the year ended 31 December 2019

	Share capital HK$'000	Share premium* HK$'000	Statutory reserve* HK$'000	Merger reserve* HK$'000	Property revaluation reserve* HK$'000	Translation reserve* HK$'000	Accumulated losses* HK$'000	Equity attributable to the owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2018	10,600	346,824	2,815	120,985	10,063	14,895	(182,144)	324,038	171,919	495,957
(Loss)/profit for the year	–	–	–	–	–	–	(42,672)	(42,672)	54,311	11,639
Gain on revaluation of properties held for own use, net of tax	–	–	–	–	1,780	–	–	1,780	–	1,780
Exchange difference on translating foreign operations	–	–	–	–	–	(11,295)	–	(11,295)	(15,723)	(27,018)
Total comprehensive loss for the year	–	–	–	–	1,780	(11,295)	(42,672)	(52,187)	38,588	(13,599)
Transfer to statutory reserve	–	–	2,842	–	–	–	(2,842)	–	–	–
Depreciation transfer on property held for own use carried at fair value, net of tax	–	–	–	–	(335)	–	335	–	–	–
Balance at 31 December 2018 and 1 January 2019	10,600	346,824	5,657	120,985	11,508	3,600	(227,323)	271,851	210,507	482,358
(Loss)/profit for the year	–	–	–	–	–	–	(32,173)	(32,173)	48,473	16,300
Loss on revaluation of land and building held for own use, net of tax	–	–	–	–	(699)	–	–	(699)	–	(699)
Exchange difference on translating foreign operations	–	–	–	–	–	(3,442)	–	(3,442)	(3,939)	(7,381)
Total comprehensive income for the year	–	–	–	–	(699)	(3,442)	(32,173)	(36,314)	44,534	8,220
Transfer to statutory reserve	–	–	636	–	–	–	(636)	–	–	–
Transfer the revaluation reserve to accumulated losses upon disposal of the land and building	–	–	–	–	(10,809)	–	10,809	–	–	–
Balance at 31 December 2019	10,600	346,824	6,293	120,985	–	158	(249,323)	235,537	255,041	490,578

* At 31 December 2019, the reserves accounts comprise the consolidated reserves of approximately HK$224,937,000 (2018: approximately HK$261,251,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (restated)
Cash flows from operating activities			
(Loss)/profit before income tax			
– From continuing operations		**(64,918)**	(81,880)
– From discontinued operations	*13*	**81,785**	91,686
		16,867	9,806
Adjustments for:			
Bank interest income	*9*	**(152)**	(1,112)
(Gain)/loss on disposal of property, plant and equipment	*12*	**(40)**	3
Amortisation of deferred government grants for acquisition of property, plant and equipment	*9*	**(974)**	(1,148)
(Recovery of impairment loss)/Impairment loss on trade receivables, net	*12*	**(208)**	1,268
Written off of trade receivables	*12*	**(360)**	–
Impairment loss on other receivables, net	*12*	**–**	9
Gain arising from changes in fair value less costs to sell of biological assets	*21*	**(94,158)**	(83,996)
Depreciation of property, plant and equipment	*12*	**39,867**	55,418
Depreciation of right-of-use assets	*12*	**19,511**	–
Interest expenses	*11*	**22,116**	37,766
Reversal of impairment loss on property, plant and equipment	*9*	**–**	(1,693)
Written off of property, plant and equipment	*12*	**3,257**	88
Operating profit before working capital changes		**5,726**	16,409
Increase in biological assets		**(287)**	(729)
Decrease in inventories and consumables		**19,720**	25,060
Increase in trade receivables		**(43,187)**	(7,808)
(Increase)/decrease in prepayments, deposits and other receivables		**(6,317)**	1,945
Increase/(decrease) in trade payables		**21,506**	(2,684)
Increase in receipt in advance, accruals and other payables		**8,494**	1,197
(Decrease)/increase in contract liabilities		**(2,780)**	1,878
Cash generated from operations		**2,875**	35,268
Interest paid		**(3,933)**	(86,112)
Net cash used in operating activities		**(1,058)**	(50,844)

	Notes	2019 HK$'000	2018 HK$'000 (restated)
Cash flows from investing activities			
Interest received		**152**	1,112
Purchase of property, plant and equipment and right-of-use assets		**(19,409)**	(17,549)
Payments for plantation costs and others to immature bearer plants		**(7,876)**	(6,614)
Proceeds from disposal of property, plant and equipment		**11,934**	103
Net cash used in investing activities		**(15,199)**	(22,948)
Cash flows from financing activities			
Proceeds from new finance leases	*40(b)*	**–**	8,085
Payment of lease liabilities (2018: Repayment of obligations under finance lease)	*40(b)*	**(33,069)**	(36,691)
Repayment of bank borrowings	*40(b)*	**(2,105)**	(2,076)
Repayment of bonds payables	*40(b)*	**–**	(100,000)
Proceeds from other loans payable	*40(b)*	**–**	35,000
Repayment of other loans payables	*40(b)*	**–**	(35,000)
Proceeds from shareholder's loans	*40(b)*	**5,000**	178,000
Advance from a related company	*40(b)*	**40,000**	–
Net cash from financing activities		**9,826**	47,318
Net decrease in cash and cash equivalents		**(6,431)**	(26,474)
Cash and cash equivalents at the beginning of year		**120,487**	152,556
Effect of exchange rates changes on cash and cash equivalents		**(1,832)**	(5,595)
Cash and cash equivalents at the end of year		**112,224**	120,487
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents	*25*	**25,326**	120,487
Cash and cash equivalents included in a disposal group classified as held for sale	*39*	**86,898**	–
Cash and cash equivalents at the end of year		**112,224**	120,487

The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in accumulated losses at the date of initial application. See note 4.

1. GENERAL

Eagle Legend Asia Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The address of its registered office is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Effective from 4 November 2019, its principal place of business in Hong Kong is changed from Room 3607, 36/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong to No. 3610, 36/F., the Center, 99 Queen's Road Central, Central, Hong Kong. The Company is an investment company and its subsidiaries (collectively known as the "Group") is principally engaged in (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery ("Construction Equipment Business"); and (ii) cultivation, research, processing and sales of exocarpium citri grandis and its seedlings ("Plantation Business"). The principal activities of the subsidiaries are described in note 37.

The Company's issued shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 July 2010. The immediate and ultimate holding company of the Company is Harbour Luck Investments Limited which is incorporated in Hong Kong with limited liability.

2. BASIS OF PREPARATION

2.1 Basis of preparation

The consolidated financial statements on page 61 to 162 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 4.

2. BASIS OF PREPARATION *(Continued)*

2.1 Basis of preparation *(Continued)*

The financial statements have been prepared on the historical cost basis except for:

– land and buildings; and

– biological assets except for bearer plants

which are stated at fair values. Disposal group held for sale is stated the lower of carrying amount and fair value less costs to sell. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

2.2 Restatements due to discontinued operations

The presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 has been restated in order to disclose the discontinued operations separately from continuing operations.

As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2018.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

3. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2019 were approved and authorised for issue by the board of Directors (the "Board") on 27 March 2020.

4. ADOPTION OF NEW AND AMENDED HKFRSs

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

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2019:

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

Among these new and amended HKFRSs, other than the effect of adoption of HKFRS 16 "Lease" noted below, the other new and amended HKFRSs do not have any material impact on the Group's consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of accumulated losses for the current period. Prior periods have not been restated.

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

As a Lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

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

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

4. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

4.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 *(Continued)*

HKFRS 16 "Leases" *(Continued)*

As a Lessee *(Continued)*

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under HKAS 17 immediately before the date of initial application.

On transition to HKFRS 16, the Group has applied the practical expedient for applying a single discount rate to a portfolio of leases with reasonably similar characteristics. The weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 5.21% per annum.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	HK$'000
Total operating lease commitments disclosed at 31 December 2018	10,944
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(3,424)
Operating leases liabilities before discounting	7,520
Discounting using incremental borrowing rate as at 1 January 2019	(986)
Operating leases liabilities	6,534
Extension option reasonably certain to be exercised	12,513
Finance leases obligation	69,951
Total lease liabilities recognised under HKFRS 16 at 1 January 2019	88,998
Classified as:	
Current lease liabilities	31,911
Non-current lease liabilities	57,087
	88,998

4. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

4.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 *(Continued)*

HKFRS 16 "Leases" *(Continued)*

As a Lessee *(Continued)*

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

	Carrying amount at 31 December 2018	Adjustments	Carrying amount at 1 January 2019
	HK$'000	HK$'000	HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
ASSETS			
Property, plant and equipment	489,116	(103,555)	385,561
Inventories	92,012	(5,440)	86,572
Right-of-use assets	–	128,042	128,042
LIABILITIES			
Finance lease payables (current)	28,610	(28,610)	–
Lease liabilities (current)	–	31,911	31,911
Finance lease payables (non-current)	41,341	(41,341)	–
Lease liabilities (non-current)	–	57,087	57,087
Effects on net assets	511,177	–	511,177

As a Lessor

Upon initial application of HKFRS 16, except for subleases in which the Group acts as an intermediate lessor, 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. Comparative information is not restated.

Subleases

Upon initial application of HKFRS 16, leased machineries under subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date. All leased machineries under subleases of HK$109,911,000 as at 1 January 2019 were classified as operating leases.

4. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

4.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 *(Continued)*

HKFRS 16 "Leases" *(Continued)*

Total impact arising from transition to HKFRS 16

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

	HK$'000
Increase in right-of-use assets	128,042
Increase in lease liabilities	88,998
Decrease in property, plant and equipment	(103,555)
Decrease in inventories	(5,440)
Decrease in finance lease payables	(69,951)

4.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts[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 HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

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

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective not yet determined

4 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

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The above new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.1 Business combination and basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

5.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any, unless the subsidiary is held for sales. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

5.3 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 5.16), and whenever there is an indication that the unit may be impaired.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.3 Goodwill *(Continued)*

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

5.4 Property, plant and equipment

Land and building carried at fair value is property where the fair value of the leasehold land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease which is stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any surplus arising on revaluation of land and buildings is recognised in other comprehensive income and is accumulated in the property revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of land and buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the property revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of leasehold land at the inception of the lease, and other items of plant and equipment other than construction in progress and bearer plants, are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.4 Property, plant and equipment *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment other than construction in progress, less any estimated residual values, over the following estimated useful lives:

Land and building carried at fair value	Over the lease terms
Building carried at cost	30 years
Leasehold improvements	5 to 30 years
Plant and machinery	5 to 10 years
Furniture and fixture	5 to 6 years
Office and other equipment	2 to 6 years
Motor vehicles	3 to 5 years
Bearer plants	15 years but not exceeding the lease terms of the six parcels of woodlands with total area of 2,151.36 mu (the "Woodlands")

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the reporting date.

Before the application of HKFRS 16, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease. Upon the application of HKFRS 16, accounting policy for depreciation for depreciation of right-of-use assets is set out in note 5.6.

Construction in progress is stated at cost less impairment losses. Construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

A bearer plant is a living plant that:

(i) is used in the production or supply of agricultural produce;

(ii) is expected to bear produce for more than one period; and

(iii) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants of the Group comprise fruit trees of exocarpium citri grandis ("Fruit Trees") in the Woodlands, exocarpium citri grandis is involved in the agricultural activities of the biological transformation of the plantation of bearer plants for production of agricultural produce for sale or further processing.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.4 Property, plant and equipment *(Continued)*

Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment. No depreciation is provided for in respect of bearer plants until they are in the location and condition necessary to be capable of operating in the manner intended by the management, which is the point of maturity of bearer plants.

Bearer plants are stated as cost less impairment losses before they reach maturity. Depreciation of bearer plants is started from the stage that bearer plants reach stage of maturity.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to accumulated losses on the disposal of land and building carried at fair value.

5.5 Biological assets

A biological asset is a living animal or plant managed by an enterprise which is involved in the agricultural activity of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. The biological assets of the Group relate to the following:

(i) Consumable biological assets – Exocarpium citri grandis growing on bearer plants ("Growing Produce") and seedlings of exocarpium citri grandis ("Seedlings")

(ii) Agricultural produce – Harvested exocarpium citri grandis ("Fresh Fruits")

The consumable biological assets relate to Growing Produce and Seedlings, which are current assets, because they can be sold at any time not depending on the age. Growing Produce and Seedlings are stated at fair value less estimated costs to sell. Changes in fair value less costs to sell of biological assets except for bearer plants are recognised in the profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.5 Biological assets *(Continued)*

Agricultural produce harvested from bearer plants is measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying HKAS 2 Inventories. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

5.6 Leases

(a) Definition of a lease and the Group as a lessee

Policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts 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 and non-lease component on the basis of their relative stand-alone prices. However, for leases of land and buildings in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Leases *(Continued)*

(a) Definition of a lease and the Group as a lessee *(Continued)*

Policy applicable from 1 January 2019 *(Continued)*

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined and the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes due to changes in market rental rates following a market rent review under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Leases *(Continued)*

(a) Definition of a lease and the Group as a lessee *(Continued)*

Policy applicable from 1 January 2019 *(Continued)*

Measurement and recognition of leases as a lessee (Continued)

For 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 modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Refundable rental deposits paid 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 and included in the cost of right-of-use assets.

Policy applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.6 Leases *(Continued)*

(a) Definition of a lease and the Group as a lessee *(Continued)*

Policy applicable before 1 January 2019 *(Continued)*

Finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in "property, plant and equipment" and the corresponding liabilities, net of finance charges, are recorded as "finance lease payables".

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Operating leases

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Upon initial application of HKFRS 16, when the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group sub-leases some of its machineries and the sub-lease contracts are classified as operating leases.

Rental income is recognised on a straight-line basis over the term of the lease.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.7 Financial Instruments

Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss. The Group's trade receivables, other receivables, deposits and cash and cash equivalents fall into this category of financial instruments.

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.7 Financial Instruments *(Continued)*

Financial assets *(Continued)*

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade and other receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases; (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs; these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.7 Financial Instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets *(Continued)*

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.

Credit-impaired financial assets

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economics 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;

– it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

– the disappearance of an active market for that financial asset because of financial difficulties of the issuer; or

– the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. Interest income on non credit-impaired financial assets is calculated based on the gross carrying amount.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.7 Financial Instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets *(Continued)*

Write-off policy (Continued)

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities other than lease liabilities/finance lease payables at amortised costs are initially measured at fair value, net of directly attributable costs incurred. The Group's financial liabilities include trade and other payables, accruals, bank borrowing, shareholder's loans, amount due to a related company, leases liabilities and finance lease payables.

Financial liabilities other than lease liabilities/finance lease payables are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as in accordance with the Group's accounting policy for borrowing costs.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability, and, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment in the profit or loss. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Accounting policies of lease liabilities/finance lease payables are set out in note 5.6.

Bank borrowing

Bank borrowing is recognised initially at fair value, net of transaction costs incurred. Bank borrowing is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowing using the effective interest method.

Bank borrowing is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Other financial liabilities

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.7 Financial Instruments *(Continued)*

Financial liabilities *(Continued)*

Other financial liabilities *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

5.8 Inventories and consumables

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories for sales of cranes and spare parts is calculated using first-in-first-out method whereas cost of inventories for sales of proprietary Chinese medicines and health products, and exocarpium citri grandis and its seedlings is determined using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables for own consumption or provision of services are stated at cost. Cost is determined using the weighted average method.

5.9 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.10 Disposal groups held for sale and discontinued operations

Disposal groups held for sale

Disposal groups comprising assets and liabilities that are highly probable to be recovered principally through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories and consumables, financial assets or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets, right-of-use assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

Discontinued operations

A discontinued operations is a component of the Group that either has been disposed of, or is classified as held for sale. The component comprises operations and cash flows that can be clearly distinguished from the rest of the Group and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount in the consolidated statement of profit or loss and other comprehensive income comprising the total of:(i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group constituting the discontinued operations.

5.11 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue is net of value added tax or other sales taxes, if any and is after deduction of any trade discounts.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.11 Revenue recognition *(Continued)*

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Under HKFRS 15, revenue from sales of goods is recognised at a point in time upon delivery and there is no unfulfilling performance obligation after the acceptance of goods. There is generally only one performance obligation in a contract. There is no material variable consideration and right of return. Revenue from services is recognised over time upon completion of services and there is no unfulfilling performance obligation after the service rendered. There is generally only one performance obligation in a contract. There is no material variable consideration and right of return. Services income of the Group mainly represents service derived from including erection, climbing and dismantling of tower cranes. The services period is, in general, ranging from 1 to 14 days or based on the requirements of the services provided.

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

Accounting policies for rental income are set out in note 5.6.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.11 Revenue recognition *(Continued)*

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

– the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

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

– the costs are expected to be recovered.

The asset 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 cost relate. The asset is subject to impairment review.

5.12 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.12 Income taxes *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised direct in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

– the Group has the legally enforceable right to set off the recognised amounts; and

– intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

– the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

– the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5.13 Foreign currency

Transactions entered into by the Company/group entities in currencies other than currency of the primary economic environment in which it/they operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.13 Foreign currency *(Continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the translation reserve.

5.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Company's subsidiaries which operate in Hong Kong are required to participate in the Mandatory Provident Fund ("MPF") Schemes, for all of its employees who are eligible to participate in the MPF scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Company's subsidiaries which operate in Singapore are required to participate in the Central Provident Fund ("CPF") Scheme, for all of its employees who are eligible to participate in the CPF scheme. The Group is required to contribute a certain percentage of its payroll costs to the CPF scheme.

The employees of the Company's subsidiaries which operate in Macao Special Administrative Region ("Macau") and the People's Republic of China, excluding Hong Kong Special Administrative Region ("Hong Kong"), Macau and Taiwan, (the "PRC") are required to participate in central pension scheme operated by the local municipal governments. The Group is required to contribute certain percentage of its payroll costs to the central pension schemes in Macau and the PRC.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.14 Employee benefits *(Continued)*

Retirement benefits *(Continued)*

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

5.15 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

5.16 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment under cost model;

– Right-of-use assets; and

– Investments in subsidiaries

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.16 Impairment of assets (other than financial assets) *(Continued)*

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, 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 cash generating unit.

5.17 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5.18 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deferred and recognised in profit or loss over the useful life of the assets.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.19 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reasonably estimated where the time value of money is material, provisions are stated at the present value of the expenditure to settle the obligations.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5.20 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

5.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's operating locations.

The Group has identified the following reportable segments by continuing operations and discontinued operations:

– Hong Kong

– Singapore

– Vietnam

– Macau

– PRC

Each of these operating segments is managed separately as each of the product and service lines requires different resources. All inter-segment transfers are carried out at prices mutually agreed between the parties.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.21 Segment reporting *(Continued)*

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRS, except that:

– Interests on shareholder's loans

– Certain finance costs

– Corporate income and expenses which are not directly attributable to the business activities or any operating segment are not included in arriving the operating results of the operating segment

Segment assets include all assets but exclude corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities exclude shareholder's loans and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

5.22 Related parties

For the purpose of these consolidated financial statements, 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 is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) the party is an entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

5.22 Related parties *(Continued)*

(b) the party is an entity is related to the Group if any of the following conditions apply: (Continued)

(v) The entity is a post-employment benefit plan for the benefit of the employees of 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 key management personnel of the entity (or of a parent of the entity).

(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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

6.1 Useful life of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

6.2 Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Revalued land and buildings – Property, plant and equipment (Note 18);
- Biological assets except for bearer plants (Note 21).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

6.3 Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

6.4 Loss allowance for trade and other receivables

The Group estimates the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables during their expected lives.

6.5 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 5.3. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows with the assistance of independent professional valuer.

6.6 Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment or reversal of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows. When fair value less costs of disposal calculations are undertaken, the fair value was estimated using relevant valuation technique and make reference to recent market comparative for similar assets adjusted for differences in condition in order to determine the fair value.

6.7 Bearer plants and depreciation

The Group determines the estimated point of maturity, useful lives and related depreciation charges for the Group's bearer plants. This estimate is based on the historical experience of the point of maturity and actual useful lives of bearer plants of particular species. The Group will revise the depreciation charge where point of maturity and useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

7. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographic location of their operations. Each of the Group's operating segments represents a strategic business unit that offers products and services from which are subject to risks and returns that are different from those of the other operating segments.

The Plantation Business (the "Disposal Group") was discontinued and classified as held for sale as at reporting date. Information about the discontinued operations is provided in note 13. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to present the results of the Disposal Group as discontinued operations.

(a) Information regarding the Group's reportable segments as provided to the Group's executive Directors is set out below:

	Continuing operations							Discontinued operations			
	Hong Kong	Singapore	Vietnam	Macau	PRC	Inter segment elimination	Sub-total	Hong Kong	PRC	Sub-total	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2019											
Revenue											
From external customers	62,162	54,354	–	–	7,957	–	124,473	–	28,535	28,535	153,008
From inter segment	–	–	–	–	–	–	–	–	–	–	–
Reportable segment revenue	62,162	54,354	–	–	7,957	–	124,473	–	28,535	28,535	153,008
Reportable segment (loss)/profit	(18,625)	(15,633)	(128)	(42)	574	–	(33,854)	(970)	82,755	81,785	47,931
Interest on shareholder's loans							(18,183)			–	(18,183)
Unallocated corporate expenses							(13,448)			–	(13,448)
(Loss)/profit for the year							(65,485)			81,785	16,300

7. SEGMENT INFORMATION *(Continued)*

(a) *(Continued)*

	Continuing operations							Discontinued operations			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000	Hong Kong HK$'000	PRC HK$'000	Sub-total HK$'000	Total HK$'000
Other reportable segment information											
Interest income	1	–	–	–	–	–	1	–	151	151	152
Interest expenses	(1,989)	(1,849)	–	–	(1)	–	(3,839)	–	(94)	(94)	(3,933)
Gain arising from changes in fair value less costs to disposal of biological assets	–	–	–	–	–	–	–	–	94,158	94,158	94,158
Depreciation of non-financial assets	(18,673)	(24,068)	–	–	–	–	(42,741)	–	(16,637)	(16,637)	(59,378)
Recovery of impairment loss on trade receivables, net	137	71	–	–	–	–	208	–	–	–	208
Gain/(loss) on disposal of property, plant and equipment	52	(12)	–	–	–	–	40	–	–	–	40
Amortisation of deferred government grants for acquisition of property, plant and equipment	–	–	–	–	–	–	–	–	974	974	974
Income tax expense	(376)	–	–	–	(191)	–	(567)	–	–	–	(567)
Additions to non-current segment assets during the year	10,268	6,082	–	–	–	–	16,350	–	17,366	17,366	33,716

	Continuing operations							Discontinued operations			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000	Hong Kong HK$'000	PRC HK$'000	Sub-total HK$'000	Total HK$'000
At 31 December 2019											
Reportable segment assets	132,706	175,208	130	154	9,400	(2,510)	315,088	122	578,302	578,424	893,512
Other unallocated segment asset							13,490			–	13,490
Total assets							328,578			578,424	907,002
Reportable segment liabilities	105,478	69,852	254	27	8,835	–	184,446	–	30,795	30,795	215,241
Shareholder's loans							183,000			–	183,000
Other unallocated segment liability							18,183			–	18,183
Total liabilities							385,629			30,795	416,424

7. SEGMENT INFORMATION *(Continued)*

(a) *(Continued)*

	Continuing operations						Discontinued operations			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000 (restated)	Hong Kong HK$'000	PRC HK$'000	Sub-total HK$'000 (restated)	Total HK$'000
Year ended 31 December 2018										
Revenue										
From external customers	63,299	44,978	–	–	–	108,277	–	82,039	82,039	190,316
From inter segment	10,475	–	–	–	(10,475)	–	–	–	–	–
Reportable segment revenue	73,774	44,978	–	–	(10,475)	108,277	–	82,039	82,039	190,316
Reportable segment (loss)/profit	(15,232)	(19,410)	92	59	–	(34,491)	(13)	91,699	91,686	57,195
Interest on bonds payable						(27,313)			–	(27,313)
Interest on shareholder's loans						(6,012)			–	(6,012)
Unallocated corporate expenses						(12,231)			–	(12,231)
(Loss)/profit for the year						(80,047)			91,686	11,639

	Continuing operations						Discontinued operations			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000 (restated)	Hong Kong HK$'000	PRC HK$'000	Sub-total HK$'000 (restated)	Total HK$'000
Other reportable segment information										
Interest income	1	2	–	–	–	3	–	1,109	1,109	1,112
Interest expenses	(2,832)	(1,734)	(1)	–	126	(4,441)	–	–	–	(4,441)
Gain arising from changes in fair value less costs to disposal of biological assets	–	–	–	–	–	–	–	83,996	83,996	83,996
Depreciation of non-financial assets	(15,384)	(22,674)	–	–	–	(38,058)	–	(17,360)	(17,360)	(55,418)
(Impairment loss)/recovery of impairment loss on trade receivables, net	(1,200)	(296)	228	–	–	(1,268)	–	–	–	(1,268)
Impairment loss on other receivables, net	(9)	–	–	–	–	(9)	–	–	–	(9)
Reversal of impairment loss on property, plant and equipment	–	1,693	–	–	–	1,693	–	–	–	1,693
(Loss)/gain on disposal of property, plant and equipment	(9)	6	–	–	–	(3)	–	–	–	(3)
Amortisation of deferred government grants for acquisition of property, plant and equipment	–	–	–	–	–	–	–	1,148	1,148	1,148
Income tax (expense)/credit	(1,414)	3,247	–	–	–	1,833	–	–	–	1,833
Additions to non-current segment assets during the year	17,292	13,113	–	–	–	30,405	–	21,023	21,023	51,428

7. SEGMENT INFORMATION *(Continued)*

(a) *(Continued)*

	Continuing operations						Discontinued operations			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	Inter segment elimination HK$'000	Sub-total HK$'000 (restated)	Hong Kong HK$'000	PRC HK$'000	Sub-total HK$'000 (restated)	Total HK$'000
At 31 December 2018										
Reportable segment assets	149,605	172,955	289	173	(2,510)	320,512	121	493,850	493,971	814,483
Other unallocated segment asset						4,064			–	4,064
Total assets						324,576			493,971	818,547
Reportable segment liabilities	69,670	60,757	283	26	–	130,736	–	21,441	21,441	152,177
Shareholder's loans						178,000			–	178,000
Other unallocated segment liability						6,012			–	6,012
Total liabilities						314,748			21,441	336,189

7. SEGMENT INFORMATION *(Continued)*

(b) In the following table, revenue is disaggregated by primary geographical markets of which the external customers from. The table also includes a reconciliation of the disaggregated revenue within the Group's reportable segment.

As disclosed in note 13, on 20 December 2019, the board of directors of the Company resolved to dispose of the Plantation Business.

	For the year ended 31 December					
	Continuing operations		Discontinued operations			
	Construction Equipment Business (Note (i))		Plantation Business (Note (ii))		Total	
	2019 HK$'000	2018 HK$'000 (restated)	**2019 HK$'000**	2018 HK$'000 (restated)	**2019 HK$'000**	2018 HK$'000
Primary geographical markets						
Hong Kong	**62,162**	62,722	**–**	–	**62,162**	62,722
Singapore	**49,340**	37,096	**–**	–	**49,340**	37,096
Vietnam	**4,022**	1,718	**–**	–	**4,022**	1,718
PRC	**7,957**	–	**28,535**	82,039	**36,492**	82,039
Sri Lanka	**985**	422	**–**	–	**985**	422
Korea	**7**	6,319	**–**	–	**7**	6,319
Total	**124,473**	108,277	**28,535**	82,039	**153,008**	190,316

Notes:

(i): The revenue under Construction Equipment Business is derived from the reportable segments in Hong Kong and Singapore.

(ii): The revenue under Plantation Business is derived from the reportable segment in PRC.

7. SEGMENT INFORMATION *(Continued)*

(b) *(Continued)*

The following table presents non-current assets (excluding deferred tax assets) by location of assets.

Continuing operations

Non-current assets

	Hong Kong (domicile) HK$'000	Singapore HK$'000	PRC HK$'000	Total HK$'000
At 31 December 2019	**92,011**	**149,535**	**–**	**241,546**
At 31 December 2018	178,662	156,524	–	335,186

Discontinued operations

Non-current assets

	Hong Kong HK$'000	Singapore HK$'000	PRC (domicile) HK$'000	Total HK$'000
At 31 December 2019	**–**	**–**	**300,435**	**300,435**
At 31 December 2018	–	–	229,743	229,743

The Group's revenue from external customers for different products and services is set out in note 8.

Information about a major customer

Revenue from one customer of the Group's Hong Kong (2018: Hong Kong) segment amounted to approximately HK$20,483,000 (2018: approximately HK$24,051,000), which represented approximately 16% (2018: approximately 22%) of the Group's consolidated revenue in continuing operations.

8. REVENUE

Revenue from the Group's principal activities as set out in note 1 during the years are as follows:

	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations		
Revenue from Contract with Customers within the scope of HKFRS 15:		
Sales of machinery	**21,700**	10,171
Sales of spare parts	**5,318**	9,505
Service income	**45,864**	38,840
	72,882	58,516
Revenue from other sources:		
Rental income from leasing of owned plant and machinery and right-of-use assets/assets held under finance leases	**51,299**	49,258
Rental income from subleasing of plant and machinery	**292**	503
	51,591	49,761
	124,473	108,277
Discontinued operations		
Revenue from Contract with Customers within the scope of HKFRS 15:		
Sales of dried exocarpium citri grandis ("Dried Fruits") *(Note 13)*	**28,535**	82,039
	153,008	190,316

8. REVENUE *(Continued)*

In following table, revenue is disaggregated by timing of revenue recognition. The table also includes revenue from other sources and a reconciliation of the disaggregated revenue within the Group's reportable segment.

	For the year ended 31 December					
	Continuing operations	Discontinued operations		Continuing operations	Discontinued operations	
	Construction Equipment Business 2019 HK$'000 (Note (i))	Plantation Business 2019 HK$'000 (Note (ii))	Total 2019 HK$'000	Construction Equipment Business 2018 HK$'000 (Note (i)) (restated)	Plantation Business 2018 HK$'000 (Note (ii)) (restated)	Total 2018 HK$'000
Timing of revenue recognition under HKFRS 15						
At a point in time	27,018	28,535	55,553	19,676	82,039	101,715
Transferred over time	45,864	–	45,864	38,840	–	38,840
	72,882	28,535	101,417	58,516	82,039	140,555
Revenue from other sources	51,591	–	51,591	49,761	–	49,761
	124,473	28,535	153,008	108,277	82,039	190,316

Notes:

(i) The revenue under Construction Equipment Business is derived from the reportable segments in Hong Kong and Singapore.

(ii) The revenue under Plantation Business is derived from the reportable segment in PRC.

9. OTHER INCOME AND GAINS

	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations		
Bank interest income	1	3
Exchange gain, net	480	–
Compensation received	279	760
Gain on disposal of property, plant and equipment	40	–
Reversal of impairment loss on property, plant and equipment *(Note 18)*	–	1,693
Recovery of impairment loss on trade receivables, net	208	–
Others	402	3,107
	1,410	5,563
Discontinued operations		
Bank interest income	151	1,109
Government grants for property, plant and equipment	974	1,148
Compensation received	91	–
	1,216	2,257
	2,626	7,820

10. OTHER OPERATING EXPENSES

	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations		
Depreciation of property, plant and equipment:		
– Owned assets	23,362	23,862
– Right-of-use assets/assets held under finance lease	19,379	14,196
	42,741	38,058
Discontinued operations		
Depreciation of property, plant and equipment:		
– Owned assets	16,505	17,360
– Right-of-use assets	132	–
Maintenance cost of mature bearer plants	10,861	14,428
	27,498	31,788
	70,239	69,846

11. FINANCE COSTS

	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations		
Interest charges on financial liabilities stated at amortised cost:		
– Bank borrowing	416	368
– Shareholder's loans	18,183	6,012
– Bonds payable	–	27,313
– Lease liabilities	3,423	–
– Finance lease payables	–	3,163
– Other loans payable	–	910
	22,022	37,766
Discontinued operations		
Interest charges on financial liabilities stated at amortised cost:		
– Lease liabilities *(Note 13)*	94	–
	22,116	37,766

12. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting):

	2019 HK$'000	2018 HK$'000 (restated)
Continuing operations		
Auditor's remuneration		
– Current year	1,147	1,261
– Over provision in respect of prior year	–	(25)
Cost of inventories recognised as an expense	2,876	4,012
Depreciation of property, plant and equipment *(Note 10)*		
– Owned assets *(Note (i))*	23,362	23,862
– Right-of-use assets/assets held under finance leases *(Note (ii))*	19,379	14,196
	42,741	38,058
(Recovery of impairment loss)/impairment loss on trade receivables, net *(Note (iii))*	(208)	1,268
Written off of trade receivables	(360)	–
Impairment loss on other receivables, net *(Note (iii))*	–	9
(Gain)/loss on disposal of property, plant and equipment	(40)	3
Reversal of impairment loss on property, plant and equipment *(Note 9)*	–	(1,693)
Written off of property, plant and equipment	306	88
Lease charges for short-term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16/operating lease charges in respect of the land and premises	1,536	4,763
Employee costs (including Directors' remuneration *(Note 17) (Note (iv))*		
– Wages, salaries and bonuses	40,446	39,329
– Contribution to defined contribution plans	2,940	3,463
	43,386	42,792
Net foreign exchange (gain)/loss *(Note 9)*	(480)	1,814
Net rental expense from subletting of plant and machinery	475	138
Discontinued operations		
Cost of inventories recognised as an expense	28,846	58,113
Depreciation of property, plant and equipment *(Note 10)*		
– Owned assets	16,505	17,360
– Right-of-use assets	132	–
	16,637	17,360
Maintenance cost of mature bearer plants *(Note 10)*	10,861	14,428
Written off of property, plant and equipment	2,951	–
Operating lease charges in respect of the woodlands, land and premises	–	59
Employee costs (including Directors' remuneration)		
– Wages, salaries and bonuses	1,995	3,570
– Contribution to defined contribution plans	577	320
	2,572	3,890

12. (LOSS)/PROFIT BEFORE INCOME TAX *(Continued)*

(i) Depreciation of property, plant and equipment had been included in other operating expenses of approximately HK$23,362,000 (2018: HK$23,862,000).

(ii) Depreciation of right-of-use assets/assets held under finance leases had been included in other operating expenses of approximately HK$19,379,000 (2018: HK$14,196,000).

(iii) Impairment loss on trade and other receivables had been included in administrative expenses whereas recovery of impairment loss on trade receivables had been included in other income and gains.

(iv) Employee costs (including Directors' remuneration) had been included in cost of sales and services of approximately HK$7,200,000 (2018: HK$11,818,000) and administrative expenses of approximately HK$36,186,000 (2018: HK$30,974,000).

13. DISCONTINUED OPERATIONS

Management of the Company have repeatedly made verbal and written requests to Guangdong Dahe Biological Technologies Limited (廣東大合生物科技股份有限公司) ("Guangdong Dahe") and paid physical on-site visits, the Company has been refused access to Guangdong Dahe's plantation site from 28 December 2019. The Company has been unable to have access to the complete sets of books and records together with supporting documents of Guangdong Dahe since 1 December 2019. The financial results of Guangdong Dahe for the period from 1 January 2019 to 30 November 2019 is included in the consolidated financial statements of the Group for the year ended 31 December 2019. In addition, the assets and liabilities of the Guangdong Dahe are de-consolidated from the statement of financial position of the Group and separately shown as assets classified as held for sale and liabilities associated with assets held for sale, respectively (note 39). On 20 December 2019, the board of directors of the Company resolved to dispose of the Plantation Business.

As at the date of this report, the aforesaid transaction has not been completed. For the details of the transaction, please refer to the Company's announcements dated 24 February, 6 and 19 March 2020, respectively.

Analysis of profit for the year from discontinued operations

The results of the discontinued operations included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

13. DISCONTINUED OPERATIONS *(Continued)*

	2019 HK$'000	2018 HK$'000
Revenue *(Note 8)*	28,535	82,039
Cost of sales	(9,506)	(27,986)
Gross profit	19,029	54,053
Gain arising from changes in fair value less costs to sell of biological assets	94,158	83,996
Other income *(Note 9)*	1,216	2,257
Selling and distribution expenses	(28)	(102)
Administrative expenses	(4,998)	(16,730)
Other operating expenses *(Note 10)*	(27,498)	(31,788)
Finance costs *(Note 11)*	(94)	–
Profit before income tax *(Note 12)*	81,785	91,686
Income tax expense *(Note 14)*	–	–
Profit for the year from discontinued operations	81,785	91,686
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(7,657)	(25,888)
Other comprehensive loss for the year from discontinued operations	(7,657)	(25,888)
Total comprehensive income for the year from discontinued operations	74,128	65,798
Operating cash flows	(2,167)	43,623
Investing cash flows	(17,215)	(19,914)
Financing cash flows	1,236	11
Total cash (outflows)/inflows	(18,146)	23,720

The carrying amounts of the assets and liabilities of Best Earnest Investment Limited (佳誠投資有限公司) ("Best Earnest" and its subsidiaries (the "Best Earnest Group"), mainly includes Guangdong Dahe, have been classified and accounted for as a disposal group held for sale as at 31 December 2019, for details, please refer to note 39.

14. INCOME TAX EXPENSE/(CREDIT)

	Continuing operations		Discontinued operations		Total	
	2019 HK$'000	2018 HK$'000 (restated)	**2019 HK$'000**	2018 HK$'000 (restated)	**2019 HK$'000**	2018 HK$'000
Current tax						
– Provision for PRC enterprise income tax	**191**	–	**–**	–	**191**	–
Deferred tax						
– Current year *(Note 32)*	**376**	(1,833)	**–**	–	**376**	(1,833)
Total income tax expense/(credit)	**567**	(1,833)	**–**	–	**567**	(1,833)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI.

Hong Kong, Singapore and Vietnam profits tax, Macau Complementary Tax have not been provided as the Group has no assessable profits in respective jurisdictions for the years.

According to the PRC tax law, its rules and regulations, enterprises that engage in certain qualifying agricultural business are eligible for certain tax benefits, including full PRC Enterprise Income Tax ("EIT") exemption on profits derived from such business. For a subsidiary of the Group engaged in qualifying agricultural business in the PRC, it is entitled to full exemption of EIT for the years.

For subsidiaries of the Group engaged in construction equipment business in the PRC, the provision for the EIT has been provided at the applicable tax rate of 25% on the assessable profits of the Group.

14. INCOME TAX EXPENSE/(CREDIT) *(Continued)*

A reconciliation of income tax expense/(credit) and accounting (loss)/profit at applicable tax rate is as follows:

	2019 **HK$'000**	2018 HK$'000 (restated)
(Loss)/profit before income tax		
– From continuing operations	**(64,918)**	(81,880)
– From discontinued operations *(Note 13)*	**81,785**	91,686
	16,867	9,806
Tax calculated at the domestic tax rate of 16.5%	**2,783**	1,618
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**7,023**	7,004
Tax effect of non-deductible expenses	**9,786**	9,026
Tax effect of non-taxable income	**(309)**	(68)
Tax effect of temporary difference not recognised	**184**	845
Tax effect of tax losses not recognised	**1,689**	1,970
Tax effect of utilisation of tax losses previously not recognised	**–**	(298)
Tax effect of tax exemptions granted to a PRC subsidiary	**(20,689)**	(22,247)
Tax exemption grants to a Singapore subsidiary	**(159)**	–
Others	**259**	317
Income tax expense/(credit)	**567**	(1,833)

15. DIVIDEND

The Board has resolved not to recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

16. (LOSS)/EARNINGS PER SHARE

(i) Continuing and discontinued operations

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

	2019	2018 (restated)
Loss		
Loss for the purposes of basic and diluted loss per share (HK$'000)	**(32,173)**	(42,672)
Number of shares		
Weighted average number of ordinary shares	**1,060,000,000**	1,060,000,000
Basic and diluted loss per share (HK cents)	**(3.04)**	(4.03)

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares issued during the years ended 31 December 2018 and 2019.

(ii) Continuing operations

	2019	2018 (restated)
Loss for the year attributable to owners of the Company (HK$'000)	**(32,173)**	(42,672)
Less: Profit for the year from discontinued operations (HK$'000)	**33,269**	37,406
	(65,442)	(80,078)
Basic and diluted loss per share from continuing operations (HK cents)	**(6.17)**	(7.55)

(iii) Discontinued operations

	2019	2018 (restated)
Profit for the year attributable to owners of the Company (HK$'000)	**33,269**	37,406
Basic and diluted earnings per share from discontinued operations (HK cents)	**3.13**	3.52

17. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

	Directors' fee HK$'000	Salaries, allowances and other benefits* HK$'000	Discretionary bonuses HK$'000	Defined contribution plans HK$'000	Total HK$'000
2019					
Executive directors					
Mr. Zeng Li *(Note (i))*	–	1,114	–	18	1,132
Mr. Winerthan Chiu *(Note (ii))*	–	674	500	18	1,192
Mr. Guo Peineng *(Note (iii))*	–	722	–	5	727
Mr. Chen Huajie *(Note (iii))*	–	899	–	5	904
Mr. Zhao Yi *(Note (iv))*	–	586	–	2	588
Mr. Chan Ka Lun *(Note (v))*	–	300	–	18	318
Independent non-executive directors					
Mr. Wan Tze Fan Terence *(Note (i))*	167	–	–	–	167
Mr. Tsui Robert Che Kwong *(Note (vi))*	154	–	–	–	154
Ms. Yang Yan Tung Doris *(Note (ii))*	152	–	–	–	152
Mr. Li Yongjun *(Note (iv))*	28	–	–	–	28
Mr. Xu Xiaowu *(Note (iv))*	28	–	–	–	28
Mr. Diao Yingfeng *(Note (vii))*	13	–	–	–	13
	542	4,295	500	66	5,403

17. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

	Directors' fee HK$'000	Salaries, allowances and other benefits* HK$'000	Discretionary bonuses HK$'000	Defined contribution plans HK$'000	Total HK$'000
2018					
Executive directors					
Mr. Zeng Li *(Note (i))*	–	1,200	–	18	1,218
Mr. Winerthan Chiu *(Note (ii))*	–	800	–	18	818
Mr. Chan Ka Lun *(Note (v))*	–	600	–	18	618
Independent non-executive directors					
Mr. Wan Tze Fan Terence *(Note (i))*	180	–	–	–	180
Mr. Tsui Robert Che Kwong *(Note (vi))*	180	–	–	–	180
Ms. Yang Yan Tung Doris *(Note (ii))*	180	–	–	–	180
	540	2,600	–	54	3,194

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2018: Nil).

* Being "salaries, allowances and other benefits" paid or payable in connection with the management of the affairs of the Group.

(i) Resigned on 6 December 2019

(ii) Resigned on 4 November 2019

(iii) Appointed on 8 July 2019

(iv) Appointed on 4 November 2019

(v) Resigned on 1 July 2019

(vi) Resigned on 9 November 2019

(vii) Appointed on 6 December 2019

17. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors (2018: 1 director) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2018: 4) non-director highest paid individuals for the year are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other emoluments	3,393	5,658
Discretionary bonuses	1,300	599
Defined contribution plans	48	178
	4,741	6,435

The emoluments of non-director highest paid individuals fell within the following bands:

	2019	2018
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	–	2
HK$2,000,001 to HK$2,500,000	1	–

(c) Senior management's emoluments

The emoluments paid or payable to 15 (2018: 8) members of senior management whose emoluments fell within the following bands:

	2019	2018
Nil to HK$1,000,000	10	5
HK$1,000,001 to HK$1,500,000	5	3
HK$1,500,001 to HK$2,000,000	–	–

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2018: Nil).

18. PROPERTY, PLANT AND EQUIPMENT

	Land and building carried at fair value HK$'000	Building carried at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Bearer plants HK$'000	Construction In progress HK$'000	Total HK$'000
At 31 December 2018 and 1 January 2019										
Cost or valuation	12,798	46,080	452,365	1,865	4,164	8,696	4,950	212,706	6,445	750,069
Accumulated depreciation and impairment losses	–	(12,648)	(208,817)	(1,709)	(3,659)	(5,815)	(1,297)	(27,008)	–	(260,953)
Net book amount as at 31 December 2018	12,798	33,432	243,548	156	505	2,881	3,653	185,698	6,445	489,116
Adjustment from the adoption of HKFRS 16 *(Note 4.1)*	–	–	(102,482)	–	–	(1,073)	–	–	–	(103,555)
Net carrying amount as at 1 January 2019, restated	12,798	33,432	141,066	156	505	1,808	3,653	185,698	6,445	385,561
Year ended 31 December 2019										
Opening net carrying amount, restated	12,798	33,432	141,066	156	505	1,808	3,653	185,698	6,445	385,561
Additions	–	–	6,773	753	1,116	–	2,107	7,876	8,805	27,430
Disposals	(11,880)	–	–	–	–	(14)	–	–	–	(11,894)
Depreciation	(219)	(1,592)	(22,771)	(113)	(283)	(773)	(315)	(13,801)	–	(39,867)
Written-off	–	–	(255)	(25)	(17)	–	(9)	(2,951)	–	(3,257)
Transfer to inventories	–	–	(3,197)	–	–	–	–	–	–	(3,197)
Valuation adjustment	(699)	–	–	–	–	–	–	–	–	(699)
Exchange differences	–	242	(23)	–	1	2	26	(2,435)	(86)	(2,273)
Transfer from Right-of-use assets *(Note 19)*	–	–	9,264	–	–	–	–	–	–	9,264
Reclassify to assets classified as held for sale *(Note 39)*	–	–	(34,910)	–	(1)	(175)	–	(174,387)	(15,164)	(224,637)
Closing net carrying amount	–	32,082	95,947	771	1,321	848	5,462	–	–	136,431
At 31 December 2019										
Cost or valuation	–	46,400	300,162	2,283	3,871	6,830	5,912	–	–	365,458
Accumulated depreciation and impairment losses	–	(14,318)	(204,215)	(1,512)	(2,550)	(5,982)	(450)	–	–	(229,027)
Net carrying amount	–	32,082	95,947	771	1,321	848	5,462	–	–	136,431

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land and building carried at fair value HK$'000	Building carried at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Bearer plants HK$'000	Construction In progress HK$'000	Total HK$'000
Year ended 31 December 2018										
Opening net carrying amount	11,398	35,682	252,299	159	546	3,986	3,915	203,037	–	511,022
Additions	–	–	37,398	70	152	407	–	6,614	6,787	51,428
Transfer from consumable biological assets *(Note 21)*	–	–	–	–	–	–	–	74	–	74
Disposals	–	–	(17)	–	–	(89)	–	–	–	(106)
Depreciation	(380)	(1,581)	(39,172)	(73)	(179)	(1,367)	(191)	(12,475)	–	(55,418)
Written-off	–	–	(80)	–	(8)	–	–	–	–	(88)
Transfer to inventories	–	–	(4,082)	–	–	–	–	–	–	(4,082)
Valuation adjustment	1,780	–	–	–	–	–	–	–	–	1,780
Reversal of impairment loss	–	–	1,693	–	–	–	–	–	–	1,693
Exchange differences	–	(669)	(4,491)	–	(6)	(56)	(71)	(11,552)	(342)	(17,187)
Closing net carrying amount	12,798	33,432	243,548	156	505	2,881	3,653	185,698	6,445	489,116
At 31 December 2018										
Cost or valuation	12,798	46,080	452,365	1,865	4,164	8,696	4,950	212,706	6,445	750,069
Accumulated depreciation and impairment losses	–	(12,648)	(208,817)	(1,709)	(3,659)	(5,815)	(1,297)	(27,008)	–	(260,953)
Net book amount	12,798	33,432	243,548	156	505	2,881	3,653	185,698	6,445	489,116

The Group is exposed to a number of risks related to Fruit Trees plantation. Details have been disclosed in note 21.

The Group's land and building carried at fair value were valued at 31 December 2018 on an open market value basis by a firm of independent qualified professional surveyor, LCH (AsiaPacific) Surveyors Limited ("LCH"), members of LCH are professional members of the Hong Kong Institute of Surveyors. Fair values were estimated based on recent market transactions, which were then adjusted for the time, floor and size relating to the land and building. The revaluation surplus was credited to other comprehensive income. The fair value of land and building is a level 2 recurring fair value measurement. During the year, there were no transfer occurred between levels on the hierarchy.

The Group's land and building carried at fair value was disposed during the year ended of 31 December 2019.

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Had the land and building carried at fair value been measured on cost model, the net carrying amount would have been as follows:

	2019	2018
	HK$'000	HK$'000
Cost	–	1,871
Accumulated depreciation	–	(921)
Net carrying amount	–	950

The Group's land and building carried at fair value was situated in Hong Kong and was held under medium term lease.

The Group's building carried at cost less accumulated depreciation and accumulated impairment losses was situated in Singapore and was held under medium term lease.

The Group's bearer plants represent Fruit Trees on the Woodlands located in Huazhou City in the PRC, of which five Forestry Rights Certificates have been issued to the Group for the purpose of plantation of exocarpium citri grandis.

Prior to the business combination in prior years, Guangdong Dahe Biological Technologies Limited* ("Guangdong Dahe") entered into agreements with relevant local village economic cooperatives and obtained Forestry Rights Certificates in respect of five parcels of woodlands with a total area of 2,035.36 mu, which entitle Guangdong Dahe to use these woodlands until 1 October 2034 under operating leases. The ownerships of these woodlands are held respectively by five local village economic cooperatives in Huazhou City.

* The English translation of the company is for reference only. The official name of this company is in Chinese (i.e. 廣東大合生物科技股份有限公司).

Pursuant to an agreement dated 12 December 2013 entered into by Guangdong Dahe and another local village economic cooperative, being the owner of the sixth parcel of woodland with an area of 116 mu, Guangdong Dahe has been contracted the rights to use such woodland and the rights to own and use the forestry trees on such woodland for the period from 1 October 2013 to 1 December 2034.

The Group is in process of obtaining the Forestry Rights Certificate for the sixth parcel of woodland. In the opinion of the Directors, there is no legal impediment for the Group to obtain the aforesaid Forestry Rights Certificate as confirmed by legal adviser in the PRC.

The Group's bearer plants were reclassify to assets classified as held for sale, for details, please refer to note 39.

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 December 2018, the net carrying amount of the Group's plant and machinery included an amount of approximately HK$124,116,000 in respect of assets held under finance leases (Note 30). At 31 December 2019, please refer to right-of-use assets (Note 19).

At 31 December 2019, the net carrying amount of the Group's building carried at cost with an amount of approximately HK$32,082,000 (2018: approximately HK$33,432,000) were pledged as security for bank borrowing (Note 28).

For the year ended 31 December 2018, the management identified indicator of reversal of impairment of certain plant and machinery in Singapore under the leasing of construction machinery operation (the "Singapore P&M") with reference to the market disposal value and the mild upward trend in recent market rental rate. A reversal of impairment loss of approximately HK$1,693,000 was recognised in other income to reverse the carrying amount of the Group's plant and machinery to its recoverable amount of approximately HK$243,548,000. The recoverable amount of the Singapore P&M was based on higher of its fair value less costs of disposal and its value in use.

For the year ended 31 December 2018, the recoverable amount of certain portion of the Singapore P&M was determined by the value in use calculations based on cash flow projections with discount rate used of 4.0% (previous impairment assessment in 2017: 4.6%) while the recoverable amount of the remaining portion of the Singapore P&M was determined with the assistance of independent professional valuers by the fair value less costs of disposal using market approach (previous impairment assessment in 2017: depreciated replacement cost approach). Under market approach, adjustments were made to the indicated market prices to reflect the age, size, physical condition, extent, character and utility of the appraised assets relative to the market comparative. The above adjusting factors applied are the key assumptions used in the valuation. The fair value less costs of disposal of the plant and machinery is classified as a level 3 measurement. The change in valuation technique in fair value measurement from depreciated replacement cost approach to market approach in current year was due to (i) availability of more recent market comparative in the current year, and (ii) relatively less sales transactions of comparable machinery available in previous impairment assessment in 2017. There were no changes in valuation techniques during the year ended 31 December 2019.

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Property, plant and equipment leased out under operating leases

The Group entered into several arrangements to lease certain machineries included in property, plant and equipment to third parties from 1 to 2 years. There are no early termination option, extension option and renewal option in the contract. The Company considered that the lease arrangement is an operating leases and the movement of the equipment are detailed as below:

	Plant and machinery HK$'000
At 31 December 2018	
Cost	407,038
Accumulated depreciation	(200,809)
Adjustment from the adoption of HKFRS 16	(102,482)
At 1 January 2019	103,747
Year ended 31 December 2019	
Opening net carrying amount, restated	103,747
Additions	6,094
Depreciation	(20,178)
Written-off	(255)
Transfer to inventories	(3,197)
Transfer from right-of-use assets	9,264
Exchange differences	472
Closing net carrying amount	95,947
At 31 December 2019	
Cost	300,162
Accumulated depreciation	(204,215)
At 31 December 2019	95,947

19. RIGHT-OF-USE ASSETS

	Carrying amount	
	As at 31 December 2019 HK$'000	As at 1 January 2019 HK$'000
Motor vehicle	**652**	1,073
Office and warehouse	**7,803**	6,026
Land	**10,161**	11,032
Plant and machinery	**86,177**	109,911
Total	**104,793**	128,042

During the year ended 31 December 2019, the total additions to right-of-use assets amounts to HK$6,286,000. The details in relation to these leases are set out in note 30.

	Motor vehicle HK$'000	Office and warehouse HK$'000	Land HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost					
As at 1 January 2019	–	–	–	–	–
Initial application of HKFRS 16	2,127	6,026	11,032	135,308	154,493
Additions	–	5,989	–	297	6,286
Transfer to inventories	–	–	–	(80)	(80)
Transfer to property, plant and equipment *(Note 18)*	–	–	–	(18,691)	(18,691)
Reclassified to assets classified as held for sale *(Note 39)*	–	(726)	(503)	–	(1,229)
Exchange differences	15	(9)	66	452	524
At 31 December 2019	2,142	11,280	10,595	117,286	141,303
Accumulated depreciation					
At 1 January 2019	–	–	–	–	–
Initial application of HKFRS 16	1,054	–	–	25,397	26,451
Charge for the year	429	3,572	472	15,038	19,511
Reclassified to assets classified as held for sale *(Note 39)*	–	(94)	(38)	–	(132)
Transfer to property, plant and equipment *(Note 18)*	–	–	–	(9,427)	(9,427)
Exchange differences	7	(1)	–	101	107
At 31 December 2019	1,490	3,477	434	31,109	36,510
Net book amount					
At 31 December 2019	652	7,803	10,161	86,177	104,793

Right-of-use assets leased out under operating leases

The Group entered into several arrangements to lease certain machineries included in right-of-use assets to third parties from 1 to 2 years amounted to HK$86,177,000. The Company considered that the lease arrangement is an operating leases.

20. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combination in 2016, is as follows:

	2019 HK$'000	2018 HK$'000
At 1 January		
Net carrying amount	75,706	75,036
Reclassify to assets classified as held for sale	(74,701)	–
Exchange differences	(1,005)	670
At 31 December	–	75,706

For the purpose of impairment testing, goodwill is allocated to the cash generating unit ("CGU") in relation to business of cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in the PRC identified as follows:

	2019 HK$'000	2018 HK$'000
Carrying amount of goodwill	–	75,706

The recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period by management with the assistance of Valtech Valuation Advisory Limited, independent professional valuers, in 2018. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% in 2018, which does not exceed the long-term growth rate for the business in which the CGU operates, was set by reference to the forecasted inflation rate in the PRC:

	2019 %	2018 %
Discount rate	N/A	23
Growth rate on revenue within five-year period	N/A	4 – 29

The key assumptions used for the value in use calculations for the CGU include projected unit market price of Dried Fruits and annual productions forecast of Dried Fruits which have been determined by the Group's management based on past performance, its expectations for the industry development and research by respective expert. The growth rate on revenue within five-year period was derived from the projected annual revenue figures. The revenue projections of the CGU during the five-year period consisted of sales of Dried Fruits. Sales of the Dried Fruits during the five-year period were projected based on the projected unit market price of Dried Fruits multiplied by the annual production forecast of the Group's Dried Fruits.

20. GOODWILL *(Continued)*

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

The Group's management believes that any reasonably possible changes in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

During the year ended 31 December 2019, goodwill was reclassified to assets classified as held for sale.

21. BIOLOGICAL ASSETS

Biological assets represent Growing Produce, Fresh Fruits and Seedlings. Biological assets are analysed as follows:

	Growing produce HK$'000	**Fresh fruits** HK$'000	**Seedlings** HK$'000	**Total** HK$'000
At 1 January 2018	–	–	5,766	5,766
Increase due to feeding (plantation costs and others)	–	–	729	729
Transfer to bearer plant *(Note 18)*	–	–	(74)	(74)
Gain arising from changes in fair value less costs to sell *(Note 13)*	9,468	74,528	–	83,996
Transfer due to harvest	(9,468)	9,468	–	–
Transfer to inventories	–	(83,996)	–	(83,996)
Exchange differences	–	–	(369)	(369)
At 31 December 2018 and 1 January 2019	**–**	**–**	**6,052**	**6,052**
Increase due to feeding (plantation costs and others)	**–**	**–**	**287**	**287**
Gain arising from changes in fair value less costs to sell *(Note 13)*	**10,861**	**83,297**	**–**	**94,158**
Transfer due to harvest	**(10,861)**	**10,861**	**–**	**–**
Transfer to inventories	**–**	**(94,158)**	**–**	**(94,158)**
Reclassify to assets held for sales *(Note 39)*	**–**	**–**	**(6,254)**	**(6,254)**
Exchange differences	**–**	**–**	**(85)**	**(85)**
At 31 December 2019	**–**	**–**	**–**	**–**

The quantities of biological assets as at the reporting date were as follows:

	2019	2018
Seedlings (by unit)	**N/A**	368,810

21. BIOLOGICAL ASSETS *(Continued)*

The values of agricultural produce harvested measured at fair value less costs to sell during the reporting period were as follows:

	2019	2018
Estimated fair value less costs to sell (HK$'000)		
Fresh Fruits	**83,297**	74,528
Estimated quantity (kg)		
Fresh Fruits	**1,593,440**	1,313,257

An independent professional valuer, Valtech Valuation Advisory Limited was engaged to determine the fair value of biological assets. The valuation methodology used to determine the fair value of biological assets is in compliance with both HKAS 41, Agriculture, and "The International Valuation Standards (2018 Edition)" published by the International Valuation Standards Council with aims to determine the fair value of a biological asset in its present location and condition.

There were no changes in valuation techniques during the period.

The fair value measurement of the biological assets for the Group is categorised as level 3 fair value measurement.

During the year, there was no transfer occurred between levels in the hierarchy. The movement in the fair value of the assets within level 3 of the hierarchy is as follows:

	2019 HK$'000	2018 HK$'000
Opening balance (level 3 recurring fair value)	**6,052**	5,766
Increase due to feeding (plantation costs and others)	**287**	729
Transfer to bearer plants *(Note 18)*	**–**	(74)
Gain arising from changes in fair value less costs to sell	**94,158**	83,996
Transfer to inventories	**(94,158)**	(83,996)
Reclassify to assets held for sale	**(6,254)**	–
Exchange differences	**(85)**	(369)
Closing balance (level 3 recurring fair value)	**–**	6,052

21. BIOLOGICAL ASSETS *(Continued)*

The following unobservable inputs were used to measure the Group's biological assets:

For the period ended 30 June 2019 and year ended 31 December 2018

Description	Valuation technique	Unobservable inputs		Period/Range For the year ended 30 June 2019 (Note 1)	Period/Range For the year ended 31 December 2018 (Note 1)	Inter-relationship between key unobservable inputs and fair value measurement
Biological assets (i.e. Fresh Fruits, Growing Produce and Seedlings)	Market approach with cost approach applied for Growing Produce and Seedlings with no market comparison was available	Prices of similar transactions	Fresh Fruits	**HK$59.0 per kg**	HK$61.5 to HK$67.7 per kg	The higher of unobservable inputs, the higher of the fair value less costs to sell determined
			Growing Produce	**HK$1.7 per unit**	HK$1.8 per unit	
			Seedlings	**HK$16.6 per unit**	HK$17.3 per unit	

Note 1: An independent professional valuer, Valtech Valuation Advisory Limited, has been engaged to determine the fair value of biological assets as at 30 June 2019 and 31 December 2018.

The fair value measurement is based on the above biological assets' highest and best use, which does not differ from their actual use.

The higher of market price, the higher the fair value measurement of the biological assets.

The valuation of Fresh Fruits was determined by market approach by reference to prices of similar transactions.

The valuation of Growing Produce and Seedlings was determined by cost approach with reference to accumulated reproduction cost of Growing Produce and Seedlings with similar size and weight. Accumulated reproduction cost means the cost to reproduce an asset, which is the plantation costs of Growing Produce and Seedlings.

The major assumptions of the valuations of the Group's biological assets were made as follows:

(i) The biological assets were in good and saleable condition as at the valuation date;

(ii) The growth condition and specification (i.e. size and weight) of biological assets are uniform regardless of the nutritional treatment, soil conditions or sunlight coverage;

(iii) No adverse weather condition, plant disease or bacterial infection are materially present by which the growth condition of the biological assets may be impaired; and

(iv) The historical prices of biological assets could represent a reasonable expectation of the future prices.

21. BIOLOGICAL ASSETS *(Continued)*

The Group is exposed to a number of risks related to its plantations:

(i) Environmental factors and natural disasters

The productivity of the biological assets was highly subject to the effect of environment factors such as weather and infectious diseases. Typical risks, including the occurrence of forestry fire, frost, heavy snow, typhoons, pests and infectious diseases, would have a material impact on the productivity, and hence the fair value of the biological assets.

(ii) Fluctuation of prices

The pricing data of the biological assets obtained from the market or the historical selling price provided by the management of the Group was heavily dependent on market competition and consumers' purchasing preference on the biological assets. So the range of price of the biological assets for a particular species could be wide. The timing of supply and demand further heightened the uncertainty of the price estimates for which the product would be sold in a particular year. Competition from online suppliers' platform (e.g. Alibaba and Taobao) may indirectly weaken the Group's bargaining power in recovering the plantation costs plus margin from its customers. As such, the prices may be volatile and subject to various assumptions on inputs.

(iii) Legal rights concerning the use of the Woodlands

The legal administrative framework for sub-urban and rural woodlands in the PRC was not as developed as those for urban lands. Thus, there were risks associated with the ownership, leasing and land use rights concerning the validity and legality of the negotiated arrangements between the land owners (i.e. often the farmers) and the Group, hence heightening the uncertainty on the recoverability of the economic value of the biological assets if potential conflicts arise.

(iv) Single product

In the future plan of the Group, the farmlands are designed for full production of exocarpium citri grandis only. The equipment and the fertilizers are also bought for this cultivation only. The sole product of the Group would become the major weakness of the Group if there is fade of trend for the exocarpium citri grandis or deteriorating quality of exocarpium citri grandis would drive out the customers. The inability of diversifying its revenue stream would make the Group suffer if there is no contingent business plan.

The Group's biological assets were reclassify to assets classified as held for sale, for details, please refer to note 39.

22. INVENTORIES AND CONSUMABLES

	2019 HK$'000	2018 HK$'000
Dried Fruits	–	75,319
Cranes and spare parts	11,869	16,674
Consumables	–	19
	11,869	92,012

23. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables, gross	44,013	27,878
Less: Loss allowance	(930)	(1,515)
Trade receivables, net	43,083	26,363

The Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 60 days (2018: 0 to 120 days) or based on the terms agreed in the relevant sales and rental agreements.

The Directors consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of trade receivables as at the reporting date, net of impairment, based on invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
0 – 30 days	12,004	8,812
31 – 60 days	18,063	9,278
61 – 90 days	5,305	3,457
Over 90 days	7,711	4,816
	43,083	26,363

23. TRADE RECEIVABLES *(Continued)*

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

	2019	2018
	HK$'000	HK$'000
At 1 January	**1,515**	253
Impairment loss recognised	**1,142**	1,853
Written off of trade receivables	**(360)**	–
Recovery of impairment	**(1,350)**	(585)
Net exchange differences	**(17)**	(6)
At 31 December	**930**	1,515

During the year ended 31 December 2019, included in impairment loss recognised for trade receivables of approximately HK$300,000 (2018: HK$1,157,000 (Note 43(b)) represented loss allowance for credit-impaired trade receivables. The credit-impaired trade receivables are due from customers experiencing dispute that were in default or past due event.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 43(b).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Non-current assets		
Deposit *(Note)*	**322**	107
	322	107
Current assets		
Prepayments	**3,263**	5,320
Deposits	**2,654**	1,550
Other receivables	**736**	1,834
	6,653	8,704
	6,975	8,811

The Group did not hold any collateral as security or other credit enhancements over the other receivables.

Note: The deposit represented deposit for acquisition of property, plant and equipment.

The movement in the loss allowance for other receivables during the year is as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**9**	–
Impairment loss recognised	**–**	9
At 31 December	**9**	9

During the year, the Group had recognised impairment of other receivables of approximately HK$Nil (2018: HK$9,000) as individually impaired. The impaired other receivables are due from debtors experiencing dispute that were in default or past due event.

Further details on the Group's credit policy and credit risk arising from other receivables and deposits are set out in note 43(b).

25. CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash at bank and in hand	25,326	120,487

The Group had cash and cash equivalents denominated in RMB of approximately RMB563,000 (2018: approximately RMB92,852,000) of which the remittance out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

Cash and cash equivalents represent bank deposits and cash at bank and in hand. Cash at bank earns interest at floating rates based on daily bank deposits rates as set out in note 43(a). The Group's exposures to foreign currency risk were set out in note 43(c).

26. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	35,718	27,145

The credit period is, in general, 30 to 60 days or based on the terms agreed in purchase agreements.

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

	2019 HK$'000	2018 HK$'000
0 – 30 days	5,851	14,914
31 – 60 days	12,233	3,335
61 – 90 days	10,828	2,529
Over 90 days	6,806	6,367
	35,718	27,145

The fair values of trade payables which are expected to be repaid within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

27. RECEIPT IN ADVANCE, ACCRUALS, OTHER PAYABLES AND CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Receipt in advance from customers	11,984	8,525
Accruals *(Notes (i))*	33,873	16,316
Other payables *(Note (ii))*	3,686	6,991
	49,543	31,832
Contract liabilities	78	2,858
	49,621	34,690

The carrying amounts of accruals and other payables approximate their fair values as these financial liabilities which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

Notes:

(i) At 31 December 2019, included in accruals of approximately HK$24,195,000 (2018: HK$6,012,000) represented accrued shareholder's loans interest payable, of which the shareholder's loans are repayable on demand (Note 29).

(ii) At 31 December 2019, included in other payables of approximately S$82,500 (equivalent to approximately HK$478,500) (2018: S$165,000 (equivalent to approximately HK$950,000)) represented provision for liabilities related to the claim for damages and consequential economic loss by a customer against the Group.

The Group has recognised the following revenue, within the scope of HKFRS 15, related contract liabilities:

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Receipt in advance from customers for sales of machinery	78	2,858
Contract liabilities	78	2,858

27. RECEIPT IN ADVANCE, ACCRUALS, OTHER PAYABLES AND CONTRACT LIABILITIES

(Continued)

The amount of consideration received in advance as prepayments from customers for sales of machinery are short term as the respective revenue is expected to be recognised within one year when the goods are delivered to customers.

The following table shows the revenue recognised in the current reporting period related to carried-forward contract liabilities:

	2019 HK$'000	2018 HK$'000
For the year ended		
Revenue recognised that was included in the contract liabilities at beginning of year ended		
– Sales of machinery	2,780	993

The Group's contracts usually have duration of one year or less from date of contract inception to date of satisfaction of performance obligation. The Group has applied the practical expedient and therefore does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

28. BANK BORROWING

	2019 HK$'000	2018 HK$'000
Bank borrowing repayable:		
Within one year	2,153	2,100
More than one year, but not exceeding two years	2,213	2,153
More than two years, but not exceeding five years	7,021	6,788
More than five years	2,473	4,813
	13,860	15,854
Portion classified as current liabilities	(2,153)	(2,100)
Non-current portion	11,707	13,754

The bank borrowing denominated in Singapore Dollar ("S$") bore interest at variable interest rates at 31 December 2018 and 2019. The effective interest rates of the Group's bank borrowing were set out in note 43(a).

28. BANK BORROWING *(Continued)*

At 31 December 2019, bank borrowing of the Group was secured by corporate guarantees and pledging building carried at cost with an amount of approximately HK$32,082,000 (2018: approximately HK$33,432,000).

The carrying values of the Group's borrowing approximate their fair values.

At 31 December 2018 and 2019, the relevant loan agreements of outstanding bank borrowing did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

29. SHAREHOLDER'S LOANS

On 28 August 2018, the Company entered into an unsecured shareholder's loan agreement with the immediate and ultimate holding company of the Company in relation to the loan of HK$173,000,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for fulfilment of financial obligations of the Group. On 28 August 2018, HK$173,000,000 was drawn down by the Company.

On 30 November 2018, the Company entered into another unsecured shareholder's loan agreement with the immediate and ultimate holding company of the Company in relation to the loan of HK$5,000,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for financing the daily operations of the Group. On 3 December 2018, HK$5,000,000 was drawn down by the Company.

On 26 February 2019, the Company further entered into an unsecured shareholder's loan agreement with the immediate and ultimate holding company of the Company in relation to the loan of HK$2,500,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for financing the daily operations of the Group. On 27 February 2019, HK$2,500,000 was drawn down by the Company.

On 24 April 2019, the Company further entered into an unsecured shareholder's loan agreement with the immediate and ultimate holding company of the Company in relation to the loan of HK$2,500,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for financing the daily operations of the Group. On 25 April 2019, HK$2,500,000 was drawn down by the Company.

Mr. Zeng Li who is the sole director of the immediate and ultimate holding company of the Company. Mr. Zeng Li was also the director of the Company and resigned on 6 December 2019.

Shareholder's loans were not secured by any assets of the Group. In the opinion of the Directors, the shareholder's loans were granted to the Company on normal commercial terms or better to the Company.

30. LEASE LIABILITIES/FINANCE LEASE PAYABLES

	2019 HK$'000	2018 HK$'000
Total minimum lease payments:		
Due within one year	**26,235**	30,974
Due in the second to fifth years	**30,317**	43,678
Due after fifth years	**13,851**	37
	70,403	74,689
Future finance charges on lease liabilities/finance leases	**(9,358)**	(4,738)
Present value of lease liabilities/finance lease liabilities	**61,045**	69,951
Present value of minimum lease payments:		
Due within one year	**26,740**	28,610
Due in the second to fifth years	**25,058**	41,304
Due after fifth years	**9,247**	37
	61,045	69,951
Less: Portion classified as current liabilities	**(26,740)**	(28,610)
Non-current portion	**34,305**	41,341

The Group has initially applied HKFRS 16 using the modified retrospective approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and which relates solely to leases previously classified as finance lease. Details for transitions to HKFRS 16 are set out in note 4.

The Group has entered into lease liabilities (2018: finance leases) for items of motor vehicles, office and warehouse, land and machinery. The average lease term is 2 to 24 years (2 to 7 years). At the end of the lease term, the Group has the option to purchase the leased equipment at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

30. LEASE LIABILITIES/FINANCE LEASE PAYABLES *(Continued)*

Certain lease liabilities payables bore interest at fixed interest rates with effective interest rates at 31 December 2019 ranged from 1% to 8.6% (2018: finance lease payables from 1.5% to 8.6%) per annum. The other lease liabilities/finance lease payables bore interest at variable interest rates. The effective interest rates on the Group's lease liabilities/finance lease payables as at reporting date were set out in note 43(a).

At 31 December 2019 and 2018, certain lease liabilities/finance lease payables of the Group were secured by corporate guarantees executed by the Company and certain subsidiaries. No provision for the obligation of the Company and certain subsidiaries under corporate guarantees have been made as the Directors considered that it is not probable the repayment of lease liabilities/finance lease payables would be in default.

Lease liabilities/finance lease payables are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default of repayment by the Group.

During the year ended 31 December 2019, the total cash outflows for the leases are HK$37,080,000.

Details of the lease activities

As at 31 December 2019, the Group has entered into leases for motor vehicles, office and warehouse, land and machinery.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Motor vehicles	Motor vehicle at cost in "right-of-use assets"	5	2 – 4 years	• The contracts contains an option to purchase the motor vehicles at the of the lease term
Office and warehouse	Office and warehouse carried at cost in "right-of-use assets"	3	1 to 3 years	• N/A
Land	Land carried at cost in "right-of-use assets"	1	24 years	• N/A
Machinery	Plant and machinery at cost in "right-of-use assets"	44	1 – 5 years	• The contracts contains an option to purchase the machineries at the of the lease term

31. DEFERRED GOVERNMENT GRANTS

	2019 HK$'000	2018 HK$'000
At beginning of the year	**8,829**	9,838
Additions	**442**	690
Amortisation *(Note 9)*	**(974)**	(1,148)
Exchange differences	**(108)**	(551)
Reclassify to liabilities associate with assets classified as held for sale *(Note 39)*	**(8,189)**	–
At end of the year	**–**	8,829
Less: Portion classified as current liabilities	**–**	(1,155)
Non-current portion	**–**	7,674

The Group's deferred government grants mainly related to acquisition of property, plant and equipment.

The Group does not have any unfulfilled conditions and other contingencies attaching to government assistance in regard to the government grants at the year-end date.

32. DEFERRED TAX

The movement on deferred tax liabilities is as follows:

	Deferred tax liabilities attributable to accelerated tax depreciation HK$'000	**Total** HK$'000
At 1 January 2018	(3,613)	(3,613)
Recognised in the profit or loss *(Note 14)*	1,833	1,833
Exchange differences	60	60
At 31 December 2018 and 1 January 2019	**(1,720)**	**(1,720)**
Recognised in the profit or loss *(Note 14)*	**(477)**	**(477)**
At 31 December 2019	**(2,197)**	**(2,197)**

32. DEFERRED TAX *(Continued)*

The movement on deferred tax assets is as follows:

	Deferred tax assets attributable to tax losses HK$'000	Total HK$'000
At 1 January 2018	–	–
Recognised in the profit or loss *(Note 14)*	–	–
Exchange differences	–	–
At 31 December 2018 and 1 January 2019	**–**	**–**
Recognised in the profit or loss *(Note 14)*	**101**	**101**
At 31 December 2019	**101**	**101**

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Hong Kong amounted to approximately HK$99,664,000 (2018: approximately HK$89,759,000), can be carried forward indefinitely under the current tax legislation.

Pursuant to the new PRC tax law and its rules and regulations, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. 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 the PRC and the jurisdiction of the foreign investors.

At 31 December 2018 and 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. It is because in the opinion of the Directors, it is not probable that these subsidiaries will distribute their earnings accrued from 1 January 2008 to 31 December 2018 in the foreseeable future. Accordingly, no deferred tax liabilities have been recognised as at 31 December 2018 and 2019.

33. SHARE CAPITAL

	2019		2018	
	Number of Shares '000	Amount HK$'000	Number of Shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January, 31 December *(Note (i))*	**200,000,000**	**2,000,000**	200,000,000	2,000,000
Issued and fully paid:				
At 1 January, 31 December	**1,060,000**	**10,600**	1,060,000	10,600

Notes:

(i) There is no change in authorised share capital during the year.

34. RESERVES

34.1 Share premium

The share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

34.2 Statutory reserves

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC, to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of relevant subsidiaries. During the year, appropriations were made by such subsidiaries to the statutory reserves accordingly.

The statutory reserves can be used to reduce previous years' losses, if any, and may be converted into paid-up capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

In accordance with relevant regulations issued by the Ministry of Finance of the PRC, a subsidiary of the Group is required to set aside a reserve through appropriations of profit after tax according to a certain ratio of the ending balance of its gross risk-bearing assets to cover potential losses against such assets.

34. RESERVES *(Continued)*

34.3 Merger reserve

The merger reserve of the Group arose as a result of the group reorganisation which was completed on 25 June 2010, represented the difference between (a) the sum of nominal value of the combined capital and share premium of the Group and (b) the nominal value of the share capital of the Company.

34.4 Property revaluation reserve

Gain/(loss) arising on the revaluation of the Group's land and building carried at fair value, as set out in note 18. The balance on this reserve is wholly undistributable.

34.5 Translation reserve

Gain/(loss) on retranslating the net assets of foreign operations into Hong Kong dollars.

34.6 Contributed surplus

Contributed surplus of the Company represented the difference between the net assets value transferred from certain subsidiaries to the Company pursuant to the group reorganisation and the nominal value of share capital and share premium of the Company in prior year.

Group

Details of the movements on the Group's reserve are set out in the consolidated statement of changes in equity.

34. RESERVES *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2018	346,824	41,572	(72,715)	315,681
Loss and total comprehensive loss for the year	–	–	(18,428)	(18,428)
Balance at 31 December 2018 and 1 January 2019	**346,824**	**41,572**	**(91,143)**	**297,253**
Loss and total comprehensive loss for the year	**–**	**–**	**(35,678)**	**(35,678)**
Balance at 31 December 2019	**346,824**	**41,572**	**(126,821)**	**261,575**

35. SHARE OPTION SCHEME

At the extraordinary general meeting held on 30 July 2015, the Company has adopted a new share option scheme (the "Share Option Scheme") to replace the old share option scheme adopted on 25 June 2010 (the "Old Scheme") for the purpose of providing incentive and/or reward to eligible participants for their contributions to, and continuing efforts to promote the interest of, the Group. The eligible participants include (a) full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); (b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sublicensee) or distributors, landlords or tenants (including any sub-tenants) of the Group; and (c) any person who, in the sole discretion of the board of directors, has contributed or may contribute to the Group. Further details of the Share Option Scheme are set out in the circular dated 13 July 2015. At 31 December 2018 and 2019, no option has been granted by the Company under the Share Option Scheme since its adoption.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,985	80
Right-of-use assets		5,157	–
Investments in subsidiaries		2	1
		7,144	81
Current assets			
Amounts due from subsidiaries		486,875	487,404
Deposits and prepayments		2,436	1,077
Cash and cash equivalents		13,490	4,064
		502,801	492,545
Current liabilities			
Accruals		26,071	6,773
Amount due to a subsidiary		23,503	–
Lease liabilities		1,913	–
Shareholder's loans		183,000	178,000
		234,487	184,773
Net current assets		268,314	307,772
Total assets less current liabilities		275,458	307,853
Non-current liabilities			
Lease liabilities		3,283	–
Net assets		272,175	307,853
EQUITY			
Share capital	33	10,600	10,600
Reserves	34	261,575	297,253
Total equity		272,175	307,853

Guo Peineng
Executive Director

Zhao Yi
Executive Director

37. INVESTMENTS IN SUBSIDIARIES

At 31 December 2018 and 2019, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Notes	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company		Principal activities
					2019	2018	
Interests held directly							
Beyond Vision Ventures Limited		Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	100%	Investment holding
Chief Key Limited		Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding
Eagle Legend Investment (Hong Kong) Limited		Limited liability company	Hong Kong	HK$1	100%	100%	Investment holding
Lucky Boom Investments Limited		Limited liability company	BVI/Hong Kong	1 ordinary shares of US$1 each	100%	100%	Investment holding
Blissful Cypress Limited	*(i)*	Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	100%	Investment holding
Jade Hover Limited	*(i)*	Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	–	Investment holding
Interests held indirectly							
Chief Strategy Limited		Limited liability company	BVI/Hong Kong	300 ordinary shares of US$1 each	100%	100%	Investment holding
Hover Ascend Limited ("Hover Ascend")	*(i)*	Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding
Gold Lake Holdings Limited		Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	100%	Investment holding
Manta Engineering and Equipment Company, Limited		Limited liability company	Hong Kong	HK$24,014,366	100%	100%	Trading in construction machinery and spare parts
Manta Equipment Rental Company Limited		Limited liability company	Hong Kong	HK$36,094,913	100%	100%	Leasing of construction machinery and provision of repair and maintenance services
Manta Equipment Services Limited		Limited liability company	Hong Kong	HK$10,875,287	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services

37. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Notes	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2019	2018	Principal activities
Manta Engineering and Equipment (Macau) Company Limited		Limited liability company	Macau	1 quota with nominal value of MOP25,000	100%	100%	Leasing of construction equipment
Manta Equipment (S) Pte Ltd		Limited liability company	Singapore	10,000,000 ordinary shares of S$1 each	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta Services (S) Pte Limited		Limited liability company	Singapore	10,000 ordinary shares of S$1 each	100%	100%	Inactive
Eagle Legend Equipment China Limited	*(i)*	Limited liability company	Hong Kong	HK$1	100%	–	Investment holding
敏達器械工程(深圳)有限公司	*(i), (vi)*	Limited liability company	PRC	RMB10,000,000	100%	–	Trading in construction machinery and spare parts
敏達器械租賃(深圳)有限公司	*(i), (vi)*	Limited liability company	PRC	RMB10,000,000	100%	–	Leasing of construction machinery and provision of repair and maintenance services
敏達器械服務(深圳)有限公司	*(i), (vi)*	Limited liability company	PRC	RMB10,000,000	100%	–	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta-Vietnam Construction Equipment Leasing Limited		Limited liability company	Vietnam	Owner invest equity Vietnamese Dong ("VND") 10,649,879,390	67%	67%	Inactive
Manta Services Management Limited ("Manta-Services")	*(ii)*	Limited liability company	Hong Kong	HK$5,000	100%	100%	Inactive
Focus Spring Limited	*(iii)*	Limited liability company	BVI/Hong Kong	1 ordinary share of US$1	100%	100%	Inactive
Best Earnest Investments Limited	*(v)*	Limited liability company	BVI/Hong Kong	200 ordinary shares of US$1 each	51%	51%	Investment holding

37. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Notes	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2019	2018	Principal activities
Vast Bloom Investment Limited	(v)	Limited liability company	Hong Kong	HK$1	51%	51%	Investment holding
廣東大合生物科技股份有限公司 Guangdong Dahe Biological Technologies Limited*	(iv),(v)	Limited liability company	PRC	RMB50,000,000	40.8%	40.8%	Cultivation, research, processing and sales of exocarpium citri grandis and its seedlings
Great Fortune Asia Pacific Limited	(i)	Limited liability company	Hong Kong	HK$100	100%	–	Inactive
Eagle Legend Engineering Management Consulting Company Limited	(i)	Limited liability company	Hong Kong	HK$100	100%	–	Property development

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

Notes:

(i) Incorporated during the year ended 31 December 2019.

(ii) Ceased business with effect from 31 December 2018.

(iii) Struck off from the Register of Companies of the BVI.

(iv) 80% equity interest of Guangdong Dahe held directly by Vast Bloom and hence the effective equity interest of Guangdong Dahe by the Group amounted to 40.8%, Guangdong Dahe was accounted for as a subsidiary of the Group as the Directors are of the opinion that the Group has power over the investee through control of the board of the subsidiary, exposure to variable returns from investee and the ability to use its power to affect those variable returns.

(v) On 20 December 2019, the board of directors of the Company resolved to dispose of the Plantation Business. These companies were in the Plantation Business.

(vi) No paid up share capital as at 31 December 2019.

38. NON-CONTROLLING INTERESTS

Best Earnest, a 51% indirectly-owned subsidiary of the Company has material non-controlling interest. The non-controlling interests of other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the non-controlling interest of Best Earnest, before intra-group eliminations, is presented below:

For the year ended 31 December	2019 HK$'000	2018 HK$'000
Revenue	28,535	82,039
Profit for the year	81,785	91,686
Total comprehensive income	75,133	65,128
Profit for the year allocated to non-controlling interest	31,965	35,940
Total comprehensive income allocated to non-controlling interest	29,357	25,529
Dividends paid to non-controlling interest	–	–
Cash flows (used in)/generated from operating activities	(2,167)	43,623
Cash flows used in investing activities	(17,215)	(19,914)
Cash flows from financing activities	1,236	11
Net cash (outflows)/inflows	(18,146)	23,720

At 31 December	2019 HK$'000	2018 HK$'000
Non-current assets	225,734	229,743
Current assets	277,989	188,521
Current liabilities	(22,649)	(13,901)
Non-current liabilities	(8,146)	(7,674)
Net assets	472,928	396,689
Accumulated non-controlling interest	206,176	176,819

As disclosed in note 13, on 20 December 2019, the board of directors of the Company resolved to dispose of the Plantation Business. The carrying amounts of the assets and liabilities of Best Earnest Group, mainly includes Guangdong Dahe, have been classified and accounted for as a disposal group held for sale as at 31 December 2019, for details, please refer to note 39.

39. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As referred to in note 13, on 20 December 2019, the board of directors of the Company resolved to dispose of the Plantation Business.

Subsequently, on 24 February 2020, the Group and a purchaser, who is one of the shareholder of Best Earnest and the Company, (the "Purchaser") entered into the Agreement, pursuant to which the Group conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the shares for a total consideration of HK$230,000,000.

	31 December 2019 HK$'000
Property, plant and equipment *(Note 18)*	**224,637**
Right-of-use assets *(Note 19)*	**1,097**
Inventories and consumables	**150,158**
Biological assets *(Note 21)*	**6,254**
Trade receivables	**26,632**
Prepayments, deposits and other receivables	**8,047**
Cash and cash equivalents	**86,898**
Goodwill *(Note 20)*	**74,701**
Assets classified as held for sale	**578,424**
Trade payables	**12,685**
Receipt in advance, accruals and other payables	**8,775**
Lease liabilities	**1,146**
Deferred government grant *(Note 31)*	**8,189**
Liabilities associated with assets classified as held for sale	**30,795**
Net assets classified as held for sale	**547,629**

40. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Significant non-cash transactions are as follows:

Investing activity

Additions to property, plant and equipment of approximately HK$Nil (2018: approximately HK$17,245,000) were financed by finance leases during the year.

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank borrowing HK$'000 *(Note 28)*	Shareholder's loans HK$'000 *(Note 29)*	Amount due to a related company HK$'000 *(Note 42(a))*	Finance lease payables HK$'000 *(Note 30)*	Lease liabilities HK$'000 *(Note 30)*	Total HK$'000
At 1 January 2019	15,854	178,000	–	69,951	–	263,805
Impact on initial application of HKFRS 16 (note 4.1)	–	–	–	(69,951)	88,998	19,047
1 January 2019 (adjusted)	15,854	178,000	–	–	88,998	282,852
Changes from cash flows:						
Repayment of bank borrowings	(2,105)	–	–	–	–	(2,105)
Capital element of lease rentals paid	–	–	–	–	(33,069)	(33,069)
Proceeds from amount due to a related company	–	–	40,000	–	–	40,000
Proceeds from shareholder's loans	–	5,000	–	–	–	5,000
Total changes from financing cash flows:	(2,105)	5,000	40,000	–	(33,069)	9,826
Exchange adjustments:	111	–	–	–	273	384
Other changes:						
Interest expenses	–	–	–	–	3,423	3,423
Interest element of lease rental paid classified as operating cash flows	–	–	–	–	(3,423)	(3,423)
Reclassify to liabilities directly associated with assets classified as held for sale	–	–	–	–	(1,146)	(1,146)
Capital element upon enter of new leases during the period	–	–	–	–	5,989	5,989
Total other changes	–	–	–	–	4,843	4,843
At 31 December 2019	13,860	183,000	40,000	–	61,045	297,905

40. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Bank borrowing HK$'000 *(Note 28)*	Shareholder's loans HK$'000 *(Note 29)*	Other loans payable HK$'000	Bonds Payable HK$'000	Finance lease payables HK$'000 *(Note 30)*	Total HK$'000
At 1 January 2018	18,273	–	–	77,803	82,025	178,101
Changes from cash flows:						
Repayment of bank borrowings	(2,076)	–	–	–	–	(2,076)
Proceeds from new finance leases	–	–	–	–	8,085	8,085
Repayment of obligations under finance leases	–	–	–	–	(36,691)	(36,691)
Proceeds from other loans payable	–	–	35,000	–	–	35,000
Repayment of other loans payable	–	–	(35,000)	–	–	(35,000)
Repayment of bonds payable	–	–	–	(100,000)	–	(100,000)
Proceeds from shareholder's loans	–	178,000	–	–	–	178,000
Total changes from financing cash flows:	(2,076)	178,000	–	(100,000)	(28,606)	47,318
Exchange adjustments:	(343)	–	–	–	(713)	(1,056)
Other changes:						
Interest expenses (non-cash)	–	–	–	22,197	–	22,197
Additions to property, plant and equipment	–	–	–	–	17,245	17,245
Total other changes	–	–	–	22,197	17,245	39,442
At 31 December 2018	15,854	178,000	–	–	69,951	263,805

41. COMMITMENTS

(a) Lease commitment – as lessor

The Group had future aggregate minimum lease receipts in respect of machinery owned by the Group under non-cancellable operating leases as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**40,151**	36,137
In the second to fifth years, inclusive	**5,220**	7,064
	45,371	43,201

The Group had future aggregate minimum lease receipts in respect of machinery sublet by the Group under non-cancellable operating leases as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**673**	2,418
In the second to fifth years, inclusive	**–**	47
	673	2,465

The Group leases its machinery under operating leases arrangements which run for an initial period of one year (2018: one to two years). All leases are on a fixed rental basis and do not include contingent rentals. The terms of leases generally require the lessee to pay security deposits.

(b) Lease commitment – as lessee

The total future minimum lease payments related to short term leases (2018: total future minimum lease payment payable of the Group in respect of machinery, the Woodlands in which plantations are suited, the land located in Singapore and premises located in Hong Kong and PRC under non-cancellable operating leases) are as follows:

	2019 HK$'000	2018 HK$'000
Group		
Within one year	**194**	6,343
In the second to fifth years, inclusive	**–**	3,589
After five years	**–**	1,012
	194	10,944

41. COMMITMENTS *(Continued)*

(b) Lease commitment – as lessee *(Continued)*

As at 31 December 2019, the lease payment in respect of machinery run for an initial period of one year (2018: the leases payment in respect of machinery run for an initial period of one to two years and the leases for the Woodlands run for a period up to the expiry date in 2034. The lease payment in respect of the land located in Singapore run for an initial period of fifty years. The lease for the premises in Hong Kong and PRC run for an initial period of two years and eight years, respectively). All rentals are fixed over the lease terms and do not include contingent rentals.

Details of these leases are set out in note 30.

The total future minimum lease payments related to short term leases (2018: total future minimum lease payment payable of the Company in respect of premise located in Hong Kong under non-cancellable operating leases) are as follows:

	2019 **HK$'000**	2018 HK$'000
Company		
Within one year	–	914
In the second to fifth years, inclusive	–	–
	–	914

(c) Capital commitment

	2019 **HK$'000**	2018 HK$'000
Group		
Acquisition of property, plant and equipment		
– contracted but not provided for	751	2,608

42. RELATED PARTY TRANSACTIONS

(a) Significant related party transaction during the year

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with its related party during the year:

Related party relationship	Type of transaction	2019 HK$'000	2018 HK$'000
Immediate and ultimate holding company of the Company	Interest expense on shareholder's loans	**18,183**	6,012

The terms and conditions of the shareholder's loans are set out in note 29.

The transactions were conducted in the normal course of business at prices and terms mutually agreed by the Company and the immediate and ultimate holding company of the Company.

Amount due to a related company, a subsidiary of beneficial owner, was non-trade in nature, unsecured, interest bearing at 0.2% per annum and the loan term is one year.

Related party relationship	2019 HK$'000	2018 HK$'000
A subsidiary of the beneficial owner	**40,000**	–

(b) Key management personnel compensation

The remuneration of the Directors and other members of key management during the year was as follows:

	2019 HK$'000	2018 HK$'000
Short-term employee benefits	**8,496**	5,961
Post-employment benefits	**103**	90
	8,599	6,051

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and fair value risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the Directors.

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has bank deposits, cash at bank balances, bank borrowing, shareholder's loans and lease liabilities/finance lease payables which bore interests at fixed and floating interest rates. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

Exposure

The following table details the interest rate profile of the Group's financial instruments at the reporting date:

	Weighted average effective interest rate per annum		Carrying amount	
	2019	2018	**2019**	2018
	%	%	**HK$'000**	HK$'000
Variable rate instruments				
Financial assets				
Cash and cash equivalents	**0 – 0.4**	0 – 0.4	**25,326**	120,487
			25,326	120,487
Financial liabilities				
Bank borrowing	**2.5 – 2.8**	1.9 – 2.5	**13,860**	15,854
Lease liabilities	**3.5 – 5.6**	–	**7,631**	–
Finance lease payables	**–**	3.9 – 5.8	**–**	15,517
			21,491	31,371
Net exposure			**3,835**	89,116

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(a) Interest rate risk *(Continued)*

The policies to manage interest rate risk have been followed by the Group consistently throughout the year.

Sensitivity analysis

The following table illustrates the sensitivity of loss after income tax for the year and accumulated losses to a reasonably possible change in interest rates of +1% (2018: +1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and all other variables are held constant.

	2019 HK$'000	2018 HK$'000
Effect on loss after income tax for the year and accumulated losses	**32**	656

A -1% (2018: -1%) change in interest rates would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business. As at 31 December 2019, the five largest trade debtors, in aggregate, contributed approximately HK$21,007,000 or 48.8% (2018: HK$21,585,000 or 81.9%) to the Group's total trade receivables. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties and customers.

The Group's management considers that all the above financial assets that are not impaired under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of lifetime expected loss provisions for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECLs also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of debtors to settle receivables. The Group recognises lifetime expected credit losses for trade receivables based on individual significant customers or the ageing of customers collectively that are not individually significant.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(b) Credit risk *(Continued)*

The followings are credit risk management practices and quantitative and qualitative information about amounts arising expected credit losses for each class of financial assets.

Trade receivables

The Group provides for lifetime ECLs for trade receivables based on historical trend. Loss rates are based on actual loss experience and past trends. Where there is a significant deterioration in credit risk or when the receivables are assessed to be credit-impaired, the Group provides for lifetime ECLs. The ECLs also incorporate forward looking information such as forecast of economic conditions.

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

	Expected loss rate	Gross carrying amount excluding specific debtors HK$'000	Loss allowance excluding specific debtors HK$'000	Carrying amount of specific debtors HK$'000	Loss allowance of specific debtors HK$'000	Total loss allowance HK$'000
2019						
Current (not past due)	**0.60%**	**9,650**	**47**	**–**	**–**	**47**
1-30 days past due	**0.60%**	**19,871**	**42**	**–**	**–**	**42**
31-60 days past due	**2.10%**	**4,210**	**194**	**–**	**–**	**194**
61-90 days past due	**2.10%**	**2,983**	**87**	**–**	**–**	**87**
91-120 days past due	**3.60%**	**422**	**20**	**–**	**–**	**20**
More than 120 days past due	**3.60%**	**6,577**	**240**	**300**	**300**	**540**
		43,713	**630**	**300**	**300**	**930**

	Expected loss rate	Gross carrying amount excluding specific debtors HK$'000	Loss allowance excluding specific debtors HK$'000	Carrying amount of specific debtors HK$'000	Loss allowance of specific debtors HK$'000	Total loss allowance HK$'000
2018						
Current (not past due)	0.60%	10,416	62	–	–	62
1-30 days past due	0.60%	7,193	43	–	–	43
31-60 days past due	2.10%	3,224	68	–	–	68
61-90 days past due	2.10%	1,781	37	–	–	37
91-120 days past due	3.60%	1,171	42	–	–	42
More than 120 days past due	3.60%	2,936	106	1,157	1,157	1,263
		26,721	358	1,157	1,157	1,515

Other receivables and deposits

Apart from credit-impaired other receivables with loss allowance of approximately HK$9,000 (2018: HK$9,000) as disclosed in note 24, the Group provides for 12-month ECLs for all other receivables and deposits at initial recognition. Where there is a significant deterioration in credit risk or when the other receivables and deposits are assessed to be credit-impaired, the Group provides for lifetime ECLs. The ECLs incorporate forward looking information such as forecast of economic conditions. The Group considers the consistently low historical default rates of counterparties. It is concluded that credit risk inherent in the Group's remaining other receivables and deposits is insignificant. The Group has assessed that the remaining other receivables and deposits do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECLs for these remaining other receivables and deposits were immaterial under the 12-month ECLs. No loss allowance for remaining other receivables and deposits was recognised for the year ended 31 December 2019 and 2018.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(c) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and it has major operations in Hong Kong, Singapore, Macau and the PRC. Income and expenses of the Group are primarily denominated in HK$, S$, US$ and RMB. Thus, it is exposed to foreign currency risk from currency exposures.

The Group's sales are mainly denominated in HK$, S$, US$ and RMB while purchases are mainly denominated in HK$, S$, US$ and RMB. US$ is not the functional currency of the group entities to which these transactions relate.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The policies to manage foreign currency risk have been followed by the Group consistently throughout the year and are considered to be effective.

Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions and balances arising in Hong Kong.

Exposure

Foreign currency denominated financial assets and liabilities, translated into a currency other than the functional currency of the Company and its subsidiaries at the closing rates, are as follows:

	RMB HK$'000	**US$** HK$'000
2019		
Cash and cash equivalents	**9**	**1,623**
Trade payables	**–**	**213**
2018		
Trade receivables	–	276
Cash and cash equivalents	8	1,309
Trade payables	–	2,704

Sensitivity analysis

The Directors considered a reasonably possible change of 1% in US$ exchange rates on sensitively analysis would have insignificant impact on the Group's loss before tax and there would be no impact on the Group's equity.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, was as follows:

	Carrying amount HK$'000	Total Contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than one year HK$'000	More than one year HK$'000
2019					
Financial liabilities					
– Trade payables	**35,718**	**35,718**	**–**	**35,718**	**–**
– Accruals and other payables	**37,299**	**37,299**	**37,299**	**–**	**–**
– Bank borrowing	**13,860**	**15,065**	**–**	**2,511**	**12,554**
– Shareholder's loans	**183,000**	**183,000**	**183,000**	**–**	**–**
– Amount due to a related company	**40,000**	**40,000**	**–**	**40,000**	**–**
– Lease liabilities	**61,045**	**70,403**	**–**	**26,235**	**44,168**
	370,922	**381,485**	**220,299**	**104,464**	**56,722**
2018					
Financial liabilities					
– Trade payables	27,145	27,145	–	27,145	–
– Accruals and other payables	23,307	23,307	23,307	–	–
– Bank borrowing	15,854	17,493	–	2,470	15,023
– Shareholder's loans	178,000	178,000	178,000	–	–
– Finance lease payables	69,951	74,689	–	30,974	43,715
	314,257	320,634	201,307	60,589	58,738

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(d) Liquidity risk *(Continued)*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its requirements in the short and longer terms. At the end of reporting period for the year ended 31 December 2018, the Group's current liabilities exceeded its current assets by approximately HK$18,082,000. The Directors consider that the Group will be able to meet its financial obligations as they fall due for twelve months from 31 December 2018, on the basis that an undertaking from the immediate and ultimate holding company not to demand repayment of the unsecured shareholder's loans due by the Group of approximately HK$178,000,000 as at 31 December 2018 until such time when repayment will not affect the Group's ability to repay other creditors in the normal course of business. The Directors are of the opinion that, in the absence of unforeseen adverse circumstances, the Group will have sufficient financial resources to finance its working capital requirements for the next twelve months from the reporting period.

(e) Fair value

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables and deposits, trade and other payables, accruals, bank borrowing, amount due to a related company, shareholder's loans and lease liabilities/finance lease payables.

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from the fair value.

(f) Summary of financial assets and liabilities by category

The categories of financial assets and financial liabilities at the reporting dates are included are as follows:

	2019 HK$'000	2018 HK$'000
Financial assets		
At amortised cost		
– Trade receivables	43,083	26,363
– Other receivables and deposits	2,912	3,384
– Cash and cash equivalents	25,326	120,487
	71,321	150,234
Financial liabilities		
At amortised cost		
– Trade payables	35,718	27,145
– Accruals and other payables	37,299	23,307
– Bank borrowing	13,860	15,854
– Shareholder's loans	183,000	178,000
– Amount due to a related company	40,000	–
– Lease liabilities	61,045	–
– Finance lease payables	–	69,951
	370,922	314,257

44. OUTSTANDING CLAIM IN PRIOR YEAR

On 5 June 2017, a supplier of the Group (the "Supplier") initiated a legal proceeding in Singapore in respect of an alleged breach of contract for supply of tower crane accessories on the part of the Group. The Supplier claimed the Group for outstanding rental payable balances of approximately S$55,000 (equivalent to approximately HK$323,000) and losses and damages of approximately S$73,000 (equivalent to approximately HK$429,000) resulting from the alleged breach of contract (the "Dispute"). Meanwhile, the Group had filed a counterclaim for the loss of income of approximately S$42,000 (equivalent to approximately HK$247,000) as a result of the termination of contract.

On 16 June 2017, the Group offered to settle the Dispute by payment of a sum of S$56,000 (equivalent to approximately HK$329,000), interest on such sum at the rate of 5.33% per annum from 5 June 2017 until actual settlement and costs and reasonable disbursements to be agreed or taxed.

As at 31 December 2017, an aggregate amount of S$80,000 (equivalent to approximately HK$470,000), being the agreed full and final settlement of the claim, was included in accruals.

On 27 February 2018, the Group and the Supplier had come to the conclusion to the terms of the settlement in the mediation in the Court Dispute Resolution Centre, in which, the Group paid S$80,000 (equivalent to approximately HK$470,000) to the Supplier, being the agreed full and final settlement of the claim and presented a letter of recommendation to the Supplier on 5 March 2018. Furthermore, the Supplier had filed the Supplier's notice of discontinuance for their claim on 14 March 2018; and the Group had filed the Group's notice of discontinuance of the counterclaim on 15 March 2018.

Up to 31 December 2019, there is no update on the outstanding claim. Management has re-assessed the probability of an outflow of the outstanding claim, they consider that the current accrual is adequate.

45. SIGNIFICANT EVENT DURING THE YEAR

On 25 November 2019, Vast Bloom Investment Limited (大旺投資有限公司) (the "Subsidiary"), an indirect 51% owned subsidiary of the Company, which holds a 80% equity interest in Guangdong Dahe, received a notice dated 19 November 2019 from the Intermediate People's Court of Maoming City, Guangdong Province* (廣東省茂名市中級人民法院) (the "Court") regarding the proceedings relating to the dispute among the shareholders initiated by the minority shareholders of Guangdong Dahe. The Subsidiary holds a 80% equity interest in Guangdong Dahe (the "Court Proceedings"). In response to the Court Proceedings, the Subsidiary petitioned to the Court for the winding-up of Guangdong Dahe on 4 December 2019. As at the date of this report, the Court Proceedings and the winding-up petition are in progress.

As disclosed in note 13, on 20 December 2019, the board of directors of the Company resolved to dispose of the Plantation Business.

46. EVENTS AFTER REPORTING DATE

On 24 February 2020, the Group and the Purchaser entered into the Agreement, pursuant to which the Group conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the shares of holding company of the Disposal Group for a total consideration of HK$230,000,000.

As at the date of this report, the aforesaid transaction has not been completed. For the details of the transaction, please refer to the Company's announcements dated 24 February, 6 and 19 March 2020, respectively.

46. EVENTS AFTER REPORTING DATE *(Continued)*

After considering the De-consolidation and the sharing of goodwill in gain or loss calculation, upon completion of the aforesaid transaction, it is expected that the Group will incur a net loss on the Disposal of not more than approximately HK$68,000,000.

As at the date of this report, the impacts of the COVID-19 outbreak on the Group's customers' financial positions and the macro-economic conditions as a whole are still uncertain, thus the Group is unable to quantify the related financial effects. However, it is noted that construction works in several construction sites in Hong Kong could only maintain limited operation or are forced to suspension. Accordingly, the execution of certain new contracts of the Group in relation to the leasing and servicing of tower cranes was postponed as customers in Hong Kong and the PRC postponed their operation due to the outbreak. By contrast, Singapore is less affected by the outbreak. Construction sites operated by customers of the Group in Singapore are currently in normal operation, as such the Group's business in Singapore has so far not been affected. The Group will pay close attention to the development of the COVID-19 and perform further assessment on its impact and take relevant measures.

47. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The capital structure of the Group consists of net debt and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital. Total debts are calculated as the sum of carrying amounts of bank borrowing, shareholder's loans, amount due to a related company and lease liabilities/finance lease payables as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	2019 **HK$'000**	2018 HK$'000
Bank borrowing	**13,860**	15,854
Shareholder's loans	**183,000**	178,000
Finance lease payables	**–**	69,951
Lease liabilities	**61,045**	–
Amount due to a related company	**40,000**	–
Total debts	**297,905**	263,805
Total equity	**490,578**	482,358
Total debt to equity ratio	**0.6**	0.5

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2015 HK$'000 (re-presented)	2016 HK$'000 (re-presented)	2017 HK$'000	2018 HK$'000 (re-stated)	**2019** **HK$'000**
Continuing operations					
Revenue	173,846	156,160	206,805	108,277	**124,473**
Cost of sales	(90,488)	(83,738)	(98,782)	(60,882)	**(70,682)**
Gross profit	83,358	72,422	108,023	47,395	**(53,791)**
Loss before taxation	(43,065)	(66,861)	(9,926)	(81,880)	**(64,918)**
Income tax credit/(expense)	1,368	2,599	1,924	1,833	**(567)**
Loss for the year from continuing operations	(41,697)	(64,262)	(8,002)	(80,047)	**(65,485)**
Discontinued operations					
Loss/(profit) for the year from discontinued operations	(372)	(7,888)	319	91,686	**81,785**
(Loss)/profit for the year	(42,069)	(72,150)	(7,683)	11,639	**16,300**
(Loss)/profit for the year and attributable to owners of the Company					
– Continuing operations	(41,663)	(64,255)	(47,768)	(80,078)	**(65,442)**
– Discontinued operations	(372)	(7,888)	319	37,406	**33,269**
Loss per share from continuing and discontinued operations					
– Basic and diluted (HK cents)	(5.25)	(8.25)	(4.89)	(4.03)	**(3.04)**
Loss per share from continuing operations					
– Basic and diluted (HK cents)	(5.21)	(7.35)	(4.92)	(7.55)	**(6.17)**
Earnings per share from discontinued operations					
– Basic and diluted (HK cents)	–	–	–	3.52	**3.13**

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2015 HK$'000 (re-presented)	2016 HK$'000 (re-presented)	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Non-current assets	371,591	619,371	586,257	564,929	**241,647**
Current assets	221,509	343,220	234,419	253,618	**86,931**
Current liabilities	(349,485)	(281,901)	(248,378)	(271,700)	**(337,420)**
Assets classified as held for sale	–	–	–	–	**578,424**
Liabilities directly associated with assets classified as held for sale	–	–	–	–	**(30,795)**
Net current (liabilities)/assets	(127,976)	61,319	(13,959)	(18,082)	**297,140**
Total assets less current liabilities	243,615	680,690	572,298	546,847	**538,787**
Non-current liabilities	(101,375)	(302,843)	(76,341)	(64,489)	**(48,209)**
Net assets/total equity	142,240	377,847	495,957	482,358	**490,578**
Total debt to equity ratio	1.8	0.7	0.4	0.5	**0.6**

During the year ended 31 December 2019, the Plantation Business is classified as Discontinued Operations, comparative findings for the year ended 31 December 2018 were restated accordingly.