中國城市基礎設施集團有限公司
China City Infrastructure Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2349

ANNUAL REPORT **2019**

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Chao Bo
(Chairman)
(resigned as the Chief Executive Officer on 17 December 2019)
Mr. Ji Jiaming
Mr. Ye Tianfang
(Chief Executive Officer)
(appointed on 17 December 2019)

Non-executive Director

Mr. Zhang Guiqing

Independent non-executive Directors

Mr. Ng Chi Ho, Dennis
Mr. Kwok Kin Wa
(appointed on 4 June 2019)
Ms. Kwong Mei Wan, Cally
(appointed on 22 July 2019)
Mr. Ji Yehong
(resigned on 4 June 2019)
Mr. Wang Jian
(resigned on 22 July 2019)

AUDIT COMMITTEE

Mr. Ng Chi Ho, Dennis *(Committee Chairman)*
Mr. Kwok Kin Wa
(appointed on 4 June 2019)
Ms. Kwong Mei Wan, Cally
(appointed on 22 July 2019)
Mr. Ji Yehong
(resigned on 4 June 2019)
Mr. Wang Jian
(resigned on 22 July 2019)

REMUNERATION COMMITTEE

Mr. Kwok Kin Wa *(Committee Chairman)*
(appointed on 4 June 2019)
Mr. Ng Chi Ho, Dennis
Ms. Kwong Mei Wan, Cally
(appointed on 22 July 2019)
Mr. Ji Yehong *(Committee Chairman)*
(resigned on 4 June 2019)
Mr. Wang Jian
(resigned on 22 July 2019)

NOMINATION COMMITTEE

Mr. Kwok Kin Wa *(Committee Chairman)*
(appointed on 4 June 2019)
Mr. Ng Chi Ho, Dennis
Ms. Kwong Mei Wan, Cally
(appointed on 22 July 2019)
Mr. Ji Yehong *(Committee Chairman)*
(resigned on 4 June 2019)
Mr. Wang Jian
(resigned on 22 July 2019)

COMPANY SECRETARY

Mr. Chan Hoi Yin Anthony

AUTHORISED REPRESENTATIVES

Mr. Li Chao Bo
(Chairman)
Mr. Chan Hoi Yin Anthony

AUDITOR

HLM CPA Limited
Certified Public Accountants

WEBSITE

www.city-infrastructure.com

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
No. 78 Des Voeux Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Center
No. 99 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 10, HSBC Main Building
No. 1 Queen's Road Central, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6208, 62nd Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
No. 183 Queen's Road East
Hong Kong

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board"), I am pleased to present the annual results of China City Infrastructure Group Limited ("China City Infrastructure" or the "Group") and its subsidiaries for the year ended 31 December 2019.

In 2019, the global economy was impacted by the China-US trade disputes and the uncertainties of Brexit. The market sentiment in Mainland China was also affected by the trade tension but overall it remained stable. Global stock markets in early 2020 have been adversely affected by concerns over the novel coronavirus (COVID-19) epidemic (the "Epidemic") outbreak. The real estate business and hotel business is under fierce challenge under the Epidemic. The Group's companies in Mainland China are actively cooperating with preventing and containing the Epidemic and ensuring the health and safety of our employees and customers.

Although adversely affected by the Epidemic and the macroeconomic environment, the Group continues to optimize its capital structure and business portfolio. In July 2019, the Group completed the acquisition of a company which holds properties and lands in Longgang, Shenzhen. The Shenzhen Longgang District Urban Renewal Department is actively carrying out the urban renewal program in this area. It is believed that the properties in this area possesses re-development potential resulting in the appreciation of the value of the properties. The project would therefore, ultimately brings positive returns to the Group in the long run.

Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to all staff members for their dedication and contribution, and to our shareholders and business partners for their support.

Li Chao Bo
Chairman

Hong Kong, 13 May 2020

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is engaged in property related business and started to dedicate to the infrastructure business in late 2014. Pursuant to the Company's announcement dated 3 January 2019 and the Company's circular dated 21 June 2019, the Group entered into a conditional sale and purchase agreement with an independent third party for the acquisition of an entire interest in a target group which holds land and properties in Longgang, Shenzhen ("Longgang Project"). The completion of acquisition has taken place on 19 July 2019. In order to devote more resources to meet the strategic direction of the Group's business, the Group may sell the whole or a portion of Group's property portfolio depending on the market and market value of the property portfolio. In support of further business development of the Group, the management is actively looking for the potential projects which is compatible with the Group's principal activities.

RESULT SUMMARY

The consolidated revenue of the Group decreased by 65.6% from approximately HK$293.6 million for the year ended 31 December 2018 to approximately HK$101.1 million for the year ended 31 December 2019. The revenues from properties sales were approximately HK$12.0 million mainly arising from sales of the Mei Lai International Centre in Hangzhou. The revenues from property leasing, hotel business and property management business were approximately HK$36.0 million, HK$23.3 million and HK$29.8 million respectively.

The overall gross profit decreased by 54.7% to approximately HK$55.4 million in 2019 from approximately HK$122.2 million in 2018, while the gross profit margin increased to 54.8% in 2019 from 41.6% in 2018. The Group also had net fair value gain on revaluation of various investment properties of approximately HK$2.1 million and an impairment loss of goodwill amounting to HK$13.0 million for the year ended 31 December 2019.

The loss attributable to owners of the Company was approximately HK$175.9 million for the year ended 31 December 2019 (2018: HK$174.9 million). Basic loss per share attributable to owners of the Company was HK$5.66 cents (2018: HK$5.67 cents). The Board does not propose any final dividend for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The PRC Property Development Business

During the year ended 31 December 2019, the Group's revenue from property development business amounted to approximately HK$12.0 million, representing a decrease of approximately 93.7%, compared with approximately HK$191.9 million in 2018. Aggregate gross floor area (the "GFA") sold for the year ended 31 December 2019 was 786 square meters ("sq.m."), representing a decrease of 94.6% from 14,494 sq.m. in 2018. Average selling price (the "ASP") was HK$15,267 (2018: HK$13,240) per sq.m. for the year ended 31 December 2019.

The PRC Property Investment Business

Wuhan Future City Commercial Property Management Company Limited ("Commercial Company") was formed by the Group to operate the Future City Shopping Centre ("Future City") owned by the Group. The Future City is located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the Jiedao Kou station of metro line No. 2. The total leasable area of Future City is approximately 55,362 sq.m. with car park included. Future City is situated in the heart of business and commercial centre of Hongshan District in Wuhan City, convenient to East Lake, Wuhan University, Wuhan University of Technology and other landmarks. Future City now becomes a fashionable, dynamic and international shopping centre to cater for the growing demand from the surrounding business centres and university region (more than twenty universities and tertiary education institutions including Wuhan University and Wuhan University of Technology) with 1,000,000 students and residential consumers. As at 31 December 2019, the occupancy rate of Future city was over 94% (31 December 2018: 91%).

Hangzhou Mei Lai Commercial Property Management Company Limited was formed by the Group to prepare for the operation of the commercial part of Mei Lai International Centre in Yuhang district of Hangzhou. The commercial part has approximately 55,980.22 sq.m. with car park included. Mei Lai International Centre is located in new Central Business District in Yuhang district of Hangzhou and adjacent to the south station of Shanghai-Hangzhou High-Speed Railway and also the terminal of Hangzhou metro line No. 1, it is expected that Mei Lai International Centre can meet the increasing needs from residential and office customers nearby.

The Group completed the acquisition of the entire issued share capital of Precious Palace Enterprises Limited ("Precious Palace") on 19 July 2019 for a total consideration of approximately HK$795 million. Fengzhen Industrial Development (Shenzhen) Co. Limited, a company established in the PRC and an indirect wholly owned subsidiary of Precious Palace, is currently holding properties located in Longgang, Shenzhen, the PRC. The properties comprise property complex with land area of 14,971.1 square meters and total gross floor area of 36,875.72 square meters ("Longgang Properties). Longgang Properties are located in Longcheng Road, which is in close proximity of Shenzhen metro Line 3 of Nanlian station and Shuanglong station.

As at 31 December 2019, the aggregate fair value of the Future City, the commercial part of Mei Lai International Centre and the Longgang Properties held by the Group was approximately HK$2,588.8 million. During the year ended 31 December 2019, the rental income generated from the investment properties was approximately HK$36.0 million and the average occupancy rate was around 84.4% (31 December 2018: 84.7%).

MANAGEMENT DISCUSSION AND ANALYSIS

The PRC Hotel Business

Wuhan Future City Hotel Management Company Limited ("Hotel Company"), an indirect wholly owned subsidiary of the Company, manages a business hotel ("Future City Hotel") with around 281 rooms, which is featured as one of the largest all suite business hotels in term of room number in Central China. Easy access to the East Lake and universities and government authorities attracts travellers from different levels. Future City Hotel is well-equipped with function rooms and conference rooms to provide services of banquet and business conference and team of hospitality professionals was recruited to deliver personalised services to customers.

During the year ended 31 December 2019, the revenue arising from Future City Hotel was approximately HK$23.3 million (2018: approximately HK$33.2 million) and the average occupancy rate was around 79.1% (2018: 80.0%).

The PRC Property Management Business

Wuhan Future City Property Management Company Limited and Wuhan Chengji Commodity City Management Company Limited, the indirect wholly owned subsidiaries of the Company, provides residents and tenants with safe, modern, comfortable and high quality property management services. During the year ended 31 December 2019, the revenue from property management was approximately HK$29.8 million (2018: approximately HK$28.0 million).

GROUP PROJECTS

Property related business

Wuhan City, Hubei
Future City

Future City is a large-scale integrated composite development located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the Jiedao Kou stations of metro line No. 2. Future City is situated in the heart of business and commercial centre of Hongshan District in Wuhan City, convenient to East Lake, Wuhan University, Wuhan University of Technology and other landmarks in the neighbourhood with 1,000,000 students and residential consumers. Future City covers a total site area of 19,191 sq.m. with a total GFA of 145,273 sq.m. and comprises of five high-rise residential towers, a four-story premier shopping centre and parking spaces.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Mansion

Future Mansion is located at a prime location at Wuluo Road in Hongshan District in Wuhan City, just 600 meters from Future City project. It is near the conjunction of metro line No. 2 and 7. It has a total site area of 5,852 sq.m. and been developed for a composite building of residential apartments and retail shops with GFA of 42,149 sq.m..

Wuhan City, Hubei
Zhongshui • Longyang Plaza

Zhongshui • Longyang Plaza is strategically situated in the prime location between the Wangjiawan business area and national level Wuhan Economic & Technological Development Zone, delineated in the western Wuhan Middle Ring Road, next to the Hanyang bus terminal and adjacent to Longyang Avenue. The project has a land site of 30,625 sq.m. and is atop the Hanyang Station of metro line No. 3. This integrated complex will be developed for splendorous shopping mall and luxurious office apartments with planned GFA of 135,173 sq.m..

Hangzhou City, Zhejiang
Mei Lai International Centre

Mei Lai International Centre is strategically located in Yuhang District, which is designated as part of the new Central Business Centre of Hangzhou City, delineated in the southern of intersection of Yingbin Road, Wengmei Road and Nanyuan Street. The integrated complex occupies a total site area of 16,448 sq.m. and is adjacent to the south station of Shanghai-Hangzhou High-Speed Railway and also the terminal of Hangzhou metro line No. 1. The total GFA is 114,610 sq.m. which comprised of commercial buildings and carpark of 55,980 sq.m. under investment property and commercial buildings for sale of 58,630 sq.m.. The development comprises of one grade-A office block with work loft setting, two high-rise premium apartment towers and a premier shopping centre and parking spaces. As at 31 December 2019, the remaining GFA of 24,091 sq.m. are under sale.

Longgang, Shenzhen
Longgang Properties

Longgang Properties comprise property complex located in Shenzhen, the PRC, with land area of 14,971 square meters and total gross floor area of 36,876 square meters. The construction of the Longgang Properties have been completed and comprise (1) Huajiang Building with a total gross floor area of 3,786 square meters was used for rental purpose; (2) Meizhou Building with a total gross floor area of 12,249 square meters of which approximately 9,785 square meters was used for rental purpose and approximately 2,464 square meters was vacant; and (3) two factory premises and two staff quarters with a total gross floor area of 20,841 square meters were used for rental purpose. An urban renewal program is now being carried out in certain areas of Longgang District, which covers the location where the Longgang properties are situated. The Group considered that the Longgang Properties have redevelopment potentials.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table set forth an overview of the Group's property projects at 31 December 2019:

Project	City	Equity Interest in the Project	Site Area *sq.m.*	Total GFA/ Planned GFA *sq.m.*
Completed Projects				
Future City	Wuhan	100%	19,191	145,273
Future Mansion	Wuhan	100%	5,852	42,149
Zhongshui • Longyang Plaza	Wuhan	100%	30,625	135,173
Mei Lai International Centre	Hangzhou	70%	16,448	114,610
Longgang Properties	Shenzhen	100%	14,971	36,876
Subtotal			87,087	474,081

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year decreased to approximately HK$101.1 million from approximately HK$293.6 million, a decrease of 65.6% compared with that of last year. The revenue of property development decreased from approximately HK$191.9 million in 2018 to approximately HK$12.0 million in 2019. The decrease was mainly due to a decrease in revenue from sales of properties, in which the total GFA recognised during the year was 786 sq.m., representing a decrease of 94.6%, compared with the total GFA of 14,494 sq.m. recognised in last year.

The revenue from property leasing and hotel business decreased from approximately HK$39.6 million in 2018 to approximately HK$36.0 million in 2019 and from approximately HK$34.1 million in 2018 to approximately HK$23.3 million in 2019 respectively. The revenue from property management business increased from approximately HK$28.0 million in 2018 to approximately HK$29.8 million in 2019.

Cost of Sales

The cost of sales decreased from approximately HK$171.4 million in 2018 to approximately HK$45.7 million in 2019, where the cost of properties sold including development costs, land costs and borrowing costs. The decrease in cost of sales was primarily due to the decrease in total GFA sold in respect of the Mei Lai International Centre in 2019 (2019: 786 sq.m.; 2018: 13,392 sq.m.).

During the year, the Group's cost of sales included cost of sale in respect of property investment and hotel business segment of approximately HK$5.7 million and HK$19.2 million respectively, a decrease of approximately HK$0.5 million and approximately HK$17.4 million compared with that of 2018 respectively, and of property management business of approximately HK$14.7 million, an increase of approximately HK$4.4 million with that of 2018.

Gross Profit and Gross Profit Margin

The gross profit decreased by approximately HK$66.8 million from approximately HK$122.2 million in 2018 to approximately HK$55.4 million in 2019, which was mainly due to a decrease in gross profit from property sales business (2019: HK$5.9 million; 2018: HK$73.7 million). The Group has a gross profit margin of 54.8% in 2019, as compared to that of 41.6% in 2018. The increase of gross profit margin was mainly due to an increase in contribution from property investment business (2019: 55%; 2018: 27%), the gross profit margin of which was 84% for both years.

Other Operating Income

Other operating income decreased to approximately HK$31.4 million in 2019 from approximately HK$49.5 million in 2018. The decrease was primarily due to the compensation for compulsory land acquisition by the PRC Government of approximately HK$22.9 million received in the year ended 31 December 2018.

Other Operating Expenses

Other operating expenses decreased to approximately HK$16.9 million in 2019 from approximately HK$39.8 million in 2018. The decrease was primarily due to the decrease of impairment loss on goodwill of property development business of approximately HK$18.0 million.

Change in Fair Value of the Investment Properties

There was a net gain of approximately HK$2.1 million in 2019 (2018: loss of HK$28.9 million) arising from change in fair value of the investment property portfolio in the PRC held by the Group.

Selling and Distribution Expenses

The selling and distribution expenses decreased by 90.1% to approximately HK$5.4 million in 2019 from approximately HK$54.3 million in 2018, primarily due to the decrease in advertising and promotion, and commission expenses for properties sales.

Administrative Expenses

The administrative expenses decreased by 22.3% to approximately HK$65.6 million in 2019 from approximately HK$84.4 million in 2018. The decrease was due to the decrease in administrative expenses arising from Hangzhou Pu Tian Property Development Company Limited, which was disposal in last year.

Finance Costs

The finance costs increased to approximately HK$141.9 million in 2019 from that of approximately HK$138.8 million in 2018. The increase was primarily due to an increase in interest expenses on convertible notes and promissory note.

Income Tax Expenses

The Group recorded income tax expenses of approximately HK$38.1 million during the year (2018: HK$8.2 million). The increase in income tax expenses was primarily attributable to the increase in deferred tax expenses resulting from an increase in the fair value gain of investment properties.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company increased from approximately HK$174.9 million in 2018 to that of approximately HK$175.9 million in 2019.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2019, total bank deposits and cash (including pledged bank deposits) of the Group amounted to approximately HK$21.2 million (31 December 2018: approximately HK$50.0 million), representing a decrease of HK$28.8 million as compared to that as at 31 December 2018.

Borrowings and Charges on the Group's Assets

At 31 December 2019, the Group's total borrowings included bank loans, other loans, convertible notes and promissory notes, in which bank loans and other loans amounted to approximately HK$886.5 million (31 December 2018: approximately HK$949.1 million), liability component of convertible notes of approximately HK$373.1 million (31 December 2018: approximately HK$22.3 million) and promissory notes of approximately HK$357.4 million (31 December 2018: nil). Amongst the borrowings, approximately HK$274.4 million (31 December 2018: approximately HK$333.5 million) will be repayable within one year and approximately HK$612.1 million (31 December 2018: approximately HK$615.6 million) will be repayable after one year. The convertible notes and promissory notes are due in July 2022.

At 31 December 2019, certain inventory of properties together with relevant land use rights and certain investment properties with an aggregate amounts of approximately HK$1,255.0 million (2018: HK$835.2 million) were pledged as security for certain banking facilities granted to the Group.

Gearing Ratio

The gearing ratio was 137.5% as at 31 December 2019 (31 December 2018: 73.0%). The gearing ratio was measured by net debt (aggregated borrowings, convertible notes and promissory notes net of bank balances and cash and pledged bank deposits) over the equity attributable to owners of the Company. The increase in gearing ratio was mainly due to a increase in convertible notes and promissory notes of approximately HK$708.2 million. The current ratio (current assets divided by current liabilities) was 1.17 (31 December 2018: 1.11).

Use of Proceeds From Fund Raising

Reference is made to the announcement of the Group dated 29 June 2017, the Group placed 460,000,000 new shares at a price of HK$0.5 per placing share, representing approximately 14.92% of the issued share capital of the Group as at 31 December 2018. The net proceeds from the placing were approximately HK$229.7 million. An analysis of the planned use of the net proceeds from placing and the actual utilised amount as at 31 December 2018 and 31 December 2019 are set out below respectively:

	Planned use of proceeds *HK$'000*	Change in use of proceeds in 2018 *HK$'000*	Actual utilised amount as at 31 December 2018 *HK$'000*	Change in use of proceeds in 2019 *HK$'000*	Actual utilised amount during the period from 1 January 2019 to 31 December 2019 *HK$'000*	The remaining proceeds as at 31 December 2019 *HK$'000*
Repayment of loans	70,000	60,000	(130,000)	25,000	(25,000)	–
Settlement of construction costs	50,000	10,000	(60,000)	–	–	–
Use for potential investments and future development	99,900	(70,000)	(3,659)	(26,241)	–	–
Use for daily operations	9,800	–	(9,800)	1,241	(1,241)	–
	229,700	–	(203,459)	–	(26,241)	–

Reference is made to the announcement of the Group dated on 18 May 2017, in which the Group entered into a framework agreement with a vendor for a possible acquisition of 51% equity interests in a target company ("Possible Acquisition"). The wholly-owned subsidiary of the target company owned a plant, two buildings and related land at Shenzhen. The Group originally planned to allocate part of proceeds to the Possible Acquisition. However, no formal agreement in relation to the Possible Acquisition has been entered into as at 31 December 2018. On 19 July 2019, the Group completed the acquisition of Precious Palace Enterprises Limited and the Convertible Bonds in the principal amount of HK$431,500,000 and the Promissory Note in the principal amount of HK$363,500,000 have been issued to the seller as the consideration of the acquisition. Therefore, the Group has reallocated the portion of proceeds originally planned for utilization in potential investments and future development to repayment of loans and use for daily operation in order to improve its current capital structure, raise the utilization efficiency of its capital and reduce finance expenses which is in the best interest of the Group and its shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities and Commitments

(a) As at 31 December 2019, the Group had capital commitments in respect of its capital injection of a joint venture, contracted but not provided in the consolidated financial statement amounting to approximately RMB9,000,000, equivalent to approximately HK$10,112,000 (31 December 2018: RMB9,000,000, equivalent to approximately HK$10,227,000).

(b) As at 31 December 2019, a subsidiary was exposed to litigations in relation to joint and several guarantees provided to certain financial institutions and independent third parties regarding loans and the interest thereon totalling approximately RMB615,000 (equivalent to approximately HK$691,000) (2018: RMB10,015,000 (equivalent to approximately HK$11,381,000)) granted to certain independent third parties. The guarantees will be released after the full repayment of the loan and interest thereon. The Group has reached an agreement with other joint guarantors and the lenders that the other joint guarantors are committed to bear the loans and the interest. Therefore, the directors consider the risk to the Company is remote and does not affect the operation of the group. As at 31 December 2019, the Group had settled approximately RMB9,400,000(equivalent to approximately HK$10,562,000) for the guarantees provided.

The Directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 31 December 2019 and 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

On 3 January 2019, Green City Development Limited, a wholly-owned subsidiary of the Group, entered into the conditional sale and purchase agreement with Sky Climber Development Limited ("Sky Climber"), pursuant to which Green City Development Limited agreed to acquire an 100% equity interest in Precious Palace for an aggregate consideration of HK$795,000,000, which will be satisfied by the issue of the convertible bonds in the principal amount of HK$431,500,000 and the issue of the promissory note in the principal amount of HK$363,500,000 by the Company to Sky Climber. The equity transfer was completed on 19 July 2019. Following the completion of equity transfer, Precious Palace became a wholly-owned subsidiary of the Group.

Save for the above, the Group had no other material acquisition or disposal of subsidiaries, associates and joint ventures during the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the total number of employees stood at approximately 224. Total staff costs for the year was approximately HK$34.3 million. The Group offers its workforce comprehensive remuneration and employees' benefits packages.

OUTLOOK AND FUTURE PLAN

The Group is principally engaged in the property related business and started to dedicate to the infrastructure businesses in late 2014. The outbreak of new coronavirus pneumonia (COVID-19) across the PRC in the beginning of 2020, especially in Wuhan, has challenged the Group's hotel business and real estate business. Although the PRC government has continued to implement large-scale emergency measures to mitigate the negative effects of COVID-19, it is expected that business environment will remain weak in the short term. Most of the social and economic activities with severe epidemics have been stagnant and economic growth become increasingly challenging. The outbreak is expected to have an adverse impact to the Group in 2020.

This short-term anomaly will not change our business foundation. If the outbreak remains protracted, the world's economy may be adversely affected and the Group's operating environment will become increasingly challenging. It is difficult for us to estimate the full impact of the incident in the coming months, but we expect that the occupancy rate of the hotel will decline in 2020. Further announcements in this respect will be made in due course. The Group maintains a long-term focus and is optimistic about our prospects. We will unswervingly implement our strategic initiatives to enhance our business.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

MR. LI CHAO BO ("MR. LI")

– Chairman and Executive Director

Mr. Li, aged 45, was appointed as the Chairman and an Executive Director of the Company with effect from 31 March 2016 and was appointed as the Chief Executive Officer from 31 May 2018 to 17 December 2019 and is currently a director and the sole beneficial owner of Linkway Investment Holdings Limited. Linkway Investment Holdings Limited is a company incorporated in the British Virgin Islands with limited liabilities. Mr. Li is currently a chairman of the number of the investment and property investment development company which is registered in the PRC. Mr. Li currently holds a master degree from Hong Kong Baptist University and a degree from Central South University. Mr. Li is experienced in brand operation, property development and financial investment.

The register of substantial shareholders maintained under section 336 of the SFO show that at 31 December 2019, Linkway Investment Holdings Limited holds 728,912,000 issued Shares of the Company (each a "Share"), representing approximately 23.30% of the total issued share capital of the Company.

MR. JI JIAMING ("MR. JI")

– Executive Director

Mr. Ji, aged 58, holds a master's degree in business administration from Capital University of Economics and Business[#] and is a senior economist. Mr. Ji has worked in construction, property and infrastructure construction industries for many years and has extensive experience in enterprise management, strategy formulation and engineering management. Mr. Ji served as the board chairman of China Construction First Building Development Corporation[#], the general manager of China Architecture First Building (Group) Corporation Limited[#], the board chairman of China Construction Municipal Construction Corporation Limited[#] before May 2012. From June 2012 until December 2014, Mr. Ji was an executive director and vice-chairman of Kaisa Group Holdings Ltd. (stock code: 1638), the issued shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Ji was the board chairman of China Economic International New Technology Corporation Limited[#] on June 2015. Mr. Ji was appointed as the Executive Director of the Company with effect from 21 July 2017.

MR. YE TIANFANG ("MR. YE")

– Executive Director and Chief Executive Officer

Mr. Ye, aged 54, holds a Master degree of Management from Wuhan University of Technology and Executive Master of Business Administration (EMBA) degree from the Cheung Kong Graduate School of Business（長江商學院）. Prior to joining the Company, Mr. Ye has worked and held senior management positions at China Construction Bank, China Minsheng Bank, and Tsinghua Tus-Holdings Co., Ltd. respectively. Mr. Ye has extensive management practice experience in the real estate and financial fields. Mr. Ye has been appointed as the Executive Director and Chief Executive Officer of the Company with effect from 17 December 2019.

[#] The English translation of Chinese names or words in this biography is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

MR. ZHANG GUIQING ("MR. ZHANG")

– Non-executive Director

Mr. Zhang, aged 57, holds a Bachelor's degree in Engineering with a major in material studies from Central South Institute of Mining and Metallurgy (currently known as Central South University). Mr. Zhang has worked in real estate and construction industry for many years and has extensive experience in enterprise management and engineering management. Mr. Zhang served as Vice President of Beijing Dongfang Hongming Real Estate Development Limited# from May 1999 to May 2008. From May 2008 until June 2010, Mr. Zhang was an executive director of Sanya Hongli Orient Holdings Limited#. Mr. Zhang was appointed as the Non-executive Director of the Company with effect from 16 August 2017.

MR. NG CHI HO, DENNIS ("MR. NG")

– Independent Non-executive Director

Mr. Ng, aged 61, was appointed as Independent Non-executive Director on 16 March 2017. Mr. Ng holds a Bachelor of Commerce degree from The University of New South Wales, Australia and is a chartered accountant of The Chartered Accountants Australia and New Zealand and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also a practising certified public accountant and has extensive experience in auditing, accounting, financial management and corporate affairs. Mr. Ng is currently the company secretary of MEIGU Technology Holding Group Limited (stock code: 8349), an independent non-executive director of Kirin Group Holdings Limited (stock code: 8109), Media Asia Group Holdings Limited (stock code: 8075) and L&A International Holdings Limited (stock code: 8195). Mr. Ng was a non-executive director of My Heart Bodilbra Group Limited (stock code: 8297) from December 2018 to April 2019, an independent non-executive director of KOALA Financial Group Limited (formerly known as Sunrise (China) Technology Group Limited) (stock code: 8226) from June 2014 to May 2015 and the company secretary of Celebrate International Holdings Limited (stock code: 8212) from July 2014 to February 2018. Mr. Ng was appointed as the Independent Non-executive Director of the Company with effect from 16 March 2017.

MR. KWOK KIN WA ("MR. KWOK")

– Independent Non-executive Director

Mr. Kwok, aged 56, holds a Master degree of Business Administration from The University of South Australia. Mr. Kwok has extensive experience in real estate development and business investment and operations. Mr. Kwok is currently the director of Easymax Holdings Limited, Savilla Technology Group Company Limited and Aqualake Asian Pacific Holdings Limited. Also, Mr. Kwok is currently the committee member of the Political Consultative Conference of Jiangxi Province, the deputy director of Committee for Liaison with Hong Kong, Macau, Taiwan and Oversea of the Chinese People's Political Consultative Conference of Jiangxi Province, the vice president of Federation of Hong Kong Zhuhai Association and Federation of Industry and Commerce of Jiangxi Province, the president of Investment Chamber of Commerce of Private Enterprises of Jiangxi Province and Chamber of Direct Members of Jiangxi Federation of Industry and Commerce. Mr. Kwok has been appointed as Independent non-executive Director of the Company with effect from 4 June 2019.

The English translation of Chinese names or words in this biography is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

MS. KWONG MEI WAN, CALLY ("MS. KWONG")

– Independent Non-executive Director

Ms. Kwong, aged 57, serves as the Hong Kong Deputy to the 13th National People's Congress. She is University Fellow of the Hong Kong Polytechnic University and a Graduate Gemologist Diploma from the Gemological Institute of America. Ms. Kwong is currently the chairman of Cally K Jewellery Limited and she has extensive experience in business investment and operations. Ms. Kwong was awarded "The Outstanding Businesswomen Award" by Hong Kong Commercial Daily in 2016 and "The 3rd Hong Kong Jewelry Industry Outstanding Achievement Award" by Hong Kong Jewelry Manufacturers' Association in 2018. Ms. Kwong actively participates in social affairs. She is an honorary citizen of Zhuhai, the executive vice president of Federation of Hong Kong Guangdong Community Organisations, the president of Federation of Hong Kong Zhuhai Community Organisations. Ms. Kwong has been appointed as Independent non-executive Director of the Company with effect from 22 July 2019.

MR. WANG JIAN ("MR. WANG")

– Independent Non-executive Director

Mr. Wang, aged 50, was appointed as Independent Non-executive Director on 21 April 2011. Mr. Wang holds a bachelor of Economics degree from the Jiangsu Yangzhou University. Mr. Wang is currently managing director of Shenzhen City Jin Ruige Investment Management Company Limited#. He has served as a branch credit manager of Industrial and Commercial Bank of China, vice president of Hua Li Property Group Company Limited#, vice general manager of Shenzhen Zhong Ke Zhi Investment Guarantee Company Limited# and executive vice president of Shenzhen City Jin Ruige Investment Management Company Limited#. He has extensive experience in enterprise funds operations, investment and financing of real estate projects and corporate operational management. Mr. Wang has resigned as Independent Non-executive Director on 22 July 2019.

MR. JI YEHONG ("MR. JI")

– Independent Non-executive Director

Mr. Ji, aged 55, is currently the Managing Director of Investment Banking Division of ICBC International Holdings Limited and President of China Science & Merchants (Hong Kong) Investment Management Co., Limited. He has 21 years of work experience with various international investment banks, including J.P. Morgan, Credit Suisse, Citi, Morgan Stanley and Rothschild. Mr. Ji obtained a Bachelor's Degree in Science from Chongqing University in 1985 and a Bachelor's Degree in Economics from University of International Business and Economics in Beijing in 1990. Mr. Ji was appointed as the Independent Non-executive Director of the Company with effect from 5 June 2017. Mr. Ji has resigned as Independent Non-executive Director on 4 June 2019.

SENIOR MANAGEMENT

The abovementioned Directors of the Company are members of senior management of the Group.

DIRECTORS' REPORT

The directors of the Company (each a "Director") present the annual report and the audited consolidated financial statements of China City Infrastructure Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 41 to the consolidated financial statements.

BUSINESS REVIEW

The business review, analysis using financial key performance indicators and future development in the Company's business of the Group for the year ended 31 December 2019 are set out in the section headed "Management Discussion and Analysis" on pages 4 to 12 of this annual report.

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed under section headed "Environmental, Social and Governance Report" on pages 25 to 41.

Review and outlook of the business of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance are disclosed in the Chairman's Statement, Notes to the Consolidated Financial Statements and Group Financial Summary of this annual report, which form part of this report. There are no significant events affecting the Group which have occurred since the end of the financial year.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 62 of this report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group is committed to maintaining close relationship with our employees, providing quality services to customers and strengthening the cooperation with our business partners.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group committed to enhancing governance, promoting employee benefits and development, protecting the environment and giving back to society in order to fulfill social responsibility and achieve sustainable growth.

As the major businesses of the Group are property related businesses in the PRC, the Group evaluate, manage and mitigate from time to time environmental issues within the context of the Group's business activities and objectives for the conservation of energy and other natural resources, and devise environmental policies and measures for the Group so as to keep them in line with the standards required under the applicable laws, rules and regulations to the extent practicable. To name a few, for the Group's hotel in Wuhan, all guest rooms have room card insert energy saving switches to reduce energy waste. In the office, the Group encourages the reduction in paper and energy usage.

During the year under review, there had been no record of material breach or violation by the Group of applicable environmental laws, rules or regulations.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group seeks to uphold high standard of integrity in all aspects of business and is committed to ensure that its affairs are conducted in accordance with applicable laws and regulatory requirements and has formulated and adopted various internal control measures, approval procedures and training within all business units at all levels of the Group. During the year under review, there has been no violation or breach of relevant laws and regulations that had a significant impact on the Company.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 165 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in Note 15 to the consolidated financial statements. Further details of the Group's major properties are set out on page 130 of this report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 29 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the movements in convertible notes during the year are disclosed in Note 27 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 66 of this report and Note 42 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company is HK$780 million as at 31 December 2019, which comply with the Companies Law of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association", each an "Article"), or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINAL DIVIDEND

The Board resolved that the Company would not declare the payment of a dividend for the year ended 31 December 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant subsequent events of the Group are set out in Note 43 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Li Chao Bo *(Chairman)*
(resigned as the Chief Executive Officer on 17 December 2019)
Mr. Ji Jiaming
Mr. Ye Tianfang
(Chief Executive Officer)
(appointed on 17 December 2019)

Non-executive Director

Mr. Zhang Guiqing

Independent Non-executive Directors

Mr. Ng Chi Ho, Dennis
Mr. Kwok Kin Wa
(appointed on 4 June 2019)
Ms. Kwong Mei Wan, Cally
(appointed on 22 July 2019)
Mr. Ji Yehong
(resigned on 4 June 2019)
Mr. Wang Jian
(resigned on 22 July 2019)

DIRECTORS' REPORT

In accordance with Article 108 of the Articles of Association, Mr. Zhang Guiqing shall retire from his office by rotation at the forthcoming annual general meeting. Being eligible, Mr. Zhang Guiqing will offer himself for re-election as Non-executive Director at the forthcoming annual general meeting.

According to Article 112, a Director so appointed either to fill a casual vacancy or as an additional Director by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. In accordance with Article 112, Mr. Ye Tianfang, Mr. Kwok Kin Wa and Ms. Kwong Mei Wan, Cally shall retire from their office by rotation at the annual general meeting. Being eligible, Mr. Ye Tianfang will offer himself for re-election as Executive Director, Mr. Kwok Kin Wa and Ms. Kwong Mei Wan, Cally will offer themselves for re-election as Independent Non-executive Director at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Li Chao Bo ("Mr. Li") has been appointed as the executive Director of the Company with effect from 31 March 2016 and Mr. Li has entered into new service contract with the Company on 3 June 2019. The term of the service contract will be for three years commencing from the date of the service contract subject to compliance with the relevant provisions of the Listing Rules. Mr. Li is entitled to a salary of HK$325,000 per month, with housing allowance of not more than HK$50,000 per month, together with discretionary management bonus by the Company to be determined by the Board. Mr. Li's emolument is reviewed by the remuneration committee of the Company.

Mr. Ji Jiaming ("Mr. Ji") has been appointed as the executive Director of the Company with effect from 21 July 2017 and Mr. Ji has entered into the service contract with the Company on 21 July 2017. The term of the service contract will be for three years commencing from the date of the service contract subject to compliance with the relevant provisions of the Listing Rules. Mr. Ji is entitled to a salary of HK$250,000 per month, together with discretionary management bonus by the Company to be determined by the Board. Mr. Ji's emolument is reviewed by the remuneration committee of the Company.

Mr. Ye Tianfang ("Mr. Ye") has been appointed as the executive Director of the Company with effect from 17 December 2019 and Mr. Ye has entered into the service contract with the Company on 17 December 2019. The term of the service contract will be for two years commencing from the date of the service contract subject to compliance with the relevant provisions of the Listing Rules. Mr. Ye is entitled to a salary of HK$300,000 per month, with housing allowance of not more than HK$50,000 per month, together with discretionary management bonus by the Company to be determined by the Board. Mr. Ye's emolument is reviewed by the remuneration committee of the Company.

Mr. Wang Jian has been re-appointed as the Independent Non-executive Director of the Company and Mr. Wang has also entered into service contract with the Company for a term of two years which commence on 21 April 2017. Mr. Wang has resigned as Independent Non-executive Director on 22 July 2019.

Mr. Ng Chi Ho, Dennis has been appointed as the Independent Non-executive Director of the Company and he has entered into new service contract with the Company for a term of two years which commence on 16 March 2019.

Mr. Ji Yehong has been appointed as the Independent Non-executive Director of the Company and he has entered into service contract with the Company for a term of two years which commence on 5 June 2017. Mr. Ji has resigned as Independent Non-executive Director on 4 June 2019.

Mr. Kwok Kin Wa has been appointed as the Independent Non-executive Director of the Company and he has entered into service contract with the Company for a term of three years which commence on 4 June 2019.

Ms. Kwong Mei Wan, Cally has been appointed as the Independent Non-executive Director of the Company and she has entered into service contract with the Company for a term of three years which commence on 22 July 2019.

DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the Independent Non-executive Directors, namely Mr. Ng Chi Ho, Dennis, Mr. Kwok Kin Wa (appointed on 4 June 2019), Ms. Kwong Mei Wan, Cally (appointed on 22 July 2019), Mr. Ji Yehong (resigned on 4 June 2019) and Mr. Wang Jian (resigned on 22 July 2019) for the year ended 31 December 2019 and as at the date of this report, the Company considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHY

Biographical details of the Directors are set out from pages 13 to 15 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

At 31 December 2019, the interests and short positions of each Director and the chief executives of the Company in the shares and the underlying shares of the Company and any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Long positions in shares at 31 December 2019

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Li Chao Bo	Beneficial owner	(1)	738,992,000	23.62%
Mr. Ji Jiaming	Beneficial owner	(2)	100,000,000	3.20%

Notes:

(1) Mr. Li Chao Bo is the sole beneficial owner of Linkway Investment Holdings Limited and Asia Unite Limited which in turn owns 728,912,000 shares and 10,080,000 shares of the Company respectively. Mr. Li Chao Bo was appointed as the Chairman and an Executive Director of the Company with effect from 31 March 2016, and as the chief executive officer of the Company from 31 May 2018 to 17 December 2019.

(2) Mr. Ji Jiaming holds 50% of Double Joy Developments Limited and is a director of Double Joy Developments Limited, which in turn owns 100,000,000 shares of the Company.

Save as disclosed above, at 31 December 2019, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The following table discloses movements in the Company's share options during the year.

Category	Date of grant	Exercise price *(HK$)*	Exercise period	As at 1 January 2019	Number of share options Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	As at 31 December 2019
Directors/Employees/Consultants	29/05/2013	0.64	29/05/2013 to 28/05/2023	3,700,000	–	–	–	(700,000)	3,000,000
Directors/Employees/Consultants	22/01/2015	0.668	22/01/2015 to 21/01/2025	700,000	–	–	–	(700,000)	–
Employees/Consultants	16/06/2015	0.88	16/06/2015 to 15/06/2025	5,000,000	–	–	–	–	5,000,000
Consultant	25/06/2015	0.91	25/06/2015 to 24/06/2025	20,445,948	–	–	–	–	20,445,948
				29,845,948	–	–	–	(1,400,000)	28,445,948

Saved as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

On 18 June 2013, the shareholders of the Company at the annual general meeting approved the adoption of a new share option scheme (the "New Scheme") and the termination of the old share option scheme (the "Old Scheme") which has been adopted by the Company on 3 June 2003. The New Scheme will expire on 17 June 2023. Option granted under the Old Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the Old Scheme.

Under the current refreshed Scheme mandate limit, the share options carrying the rights to subscribe for 308,227,854 shares (representing approximately 10% of issued share capital of the Company as at 3 June 2019 (the date of annual general meeting)) were available for granting by the Company as at 31 December 2019.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and the related parties or other companies in which the Directors had beneficial interest are set out in Note 40 to the consolidated financial statements.

Saved as disclosed above, no contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

The register of substantial shareholders (other than Directors and chief executives) maintained under Section 336 of the SFO shows that at 31 December 2019, the Company had been notified of the following substantial shareholders' interests and short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital.

(i) Long positions in the shares at 31 December 2019

Name of substantial Shareholder	Notes	Capacity/ Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Linkway Investment Holdings Limited ("LIHL")	(1)	Beneficial owner and interest of controlled corporation	728,912,000	23.30%
Good Outlook Investments Limited	(2)	Beneficial owner	215,683,681	6.89%
China Financial International Investments Limited ("CFIIL")	(3)	Beneficial owner	698,079,429	22.32%
China Financial International Investments and Managements Limited	(4)	Investment manager	196,735,429	6.29%
Capital Focus Asset Management Limited	(4)	Investment manager	196,735,429	6.29%
Century Forum Development Limited	(5)	Beneficial owner	200,000,000	6.39%

(ii) Long positions in the underlying shares at 31 December 2019

Name of substantial Shareholder	Note	Capacity/ Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Sky Climber Development Limited	(6)	Beneficial owner and interest of controlled corporation	863,000,000	27.59%

Notes:

(1) These Shares were held by LIHL. Mr. Li Chao Bo ("Mr. Li") is the sole beneficial owner of LIHL. Therefore, Mr. Li has beneficially interested in the said Shares.

(2) The Company is a company incorporated in the British Virgin Island with limited liability.

(3) These Shares were held by CFIIL (Stock Code: 721). Therefore, CFIIL have beneficially interested in the said Shares.

(4) These Shares were held by CFIIL. China Financial International Investments and Managements Limited ("CFIIM") is 51% owned by Capital Focus Asset Management Limited ("Capital Focus") and 29% by owned CFIIL. Accordingly, for the purposes of the SFO, CFIIM and Capital Focus are deemed to have the same interests in the Company as CFIIL, being in the capacity of investment manager of CFIIL.

(5) The company is a company incorporated in the British Virgin Island with limited liability.

(6) Convertible notes in the principal amount of HK$431,500,000 carrying the rights to subscribe for Shares at conversion price of HK$0.50 per share was issued by the Company to Sky Climber Development Limited ("Sky Climber") on 19 July 2019. Mr. Yang Zhixiong ("Mr. Yang") is the sole beneficial owner of Sky Climber. Therefore, Mr. Yang has beneficially interested in the said Shares. If the conversion rights attached to the convertible notes had been fully exercised, 863,000,000 Shares would be issued at the conversion price of HK$0.50 per share.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO at 31 December 2019.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party transactions or continuing connected transactions undertaken by the Group during the year in the ordinary course of business or on normal commercial terms are set out in Note 40 to the consolidated financial statements. Certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee is accountable to the Board and the primary duties of the audit committee include the review and supervision of the Group's financial reporting process and internal controls. During the year ended 31 December 2019, the audit committee comprised Mr. Ng Chi Ho, Dennis, Mr. Kwok Kin Wa (appointed on 4 June 2019), Ms. Kwong Mei Wan, Cally (appointed on 22 July 2019), Mr. Wang Jian (resigned on 22 July 2019) and Mr. Ji Yehong (resigned on 4 June 2019), who are the independent non-executive Directors.

The audit committee has reviewed the audited consolidated results and the risk management and internal control system of the Group for the year ended 31 December 2019.

The Group's annual results for the year ended 31 December 2019 have been reviewed by the audit committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 13.68% and 6.9% for the Group's total purchases for the year ended 31 December 2019 respectively.

During the year, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales.

At no time during the year did a Director, an associate of a Director, within the meaning of the Listing Rules, or a Shareholder which to the knowledge of the Directors owns more than 5% of the Company's share capital, have any interest in the Group's five largest suppliers and five largest customers.

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has complied with the public float requirements of the Listing Rules.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

As at 31 December 2019, none of the Directors of the Company had any interest in business which competes or may constitute competition directly or indirectly with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company or an associated company.

The Company has taken out and maintained Directors' and officers' liability insurance throughout the year, which provides appropriate cover for the certain legal actions brought against its Directors and officers.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint HLM CPA Limited as auditor of the Company.

On behalf of the Board
Li Chao Bo
Chairman

Hong Kong, 13 May 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to be a socially responsible corporation through constant interaction with stakeholders and taking into account of their interests and benefits. We have been building the Group as an open, transparent and fair enterprise with due consideration of the environmental and social responsibilities with its business objectives. We have also been working towards achieving long-term sustainable growth of our business while safeguarding stakeholders' interests. The Board has taken into account the listed environmental and social areas and aspects in the ESG Guide which are significant considerations for its business planning and operation, and has integrated those environmental and social considerations into its business objectives, strategies and practices.

(A) ENVIRONMENTAL

A1. Emissions and Wastes

(i) Direct and Indirect Hazardous and Non-Hazardous Air Emissions

The operations and activities of the Group do not directly generate any hazardous air emissions and pollutants, and the only non-hazardous greenhouse gas ("GHG") of carbon dioxide ("CO_2") is generated indirectly from the use of electricity by the offices and the managed properties, shopping malls and hotels. The degree of electricity consumption by the residents, tenants, visitors and guests of the managed properties, shopping malls and hotels will determine the amount of electricity usage.

Hazardous air emissions, such as SO_x, NO_x and pollutants will be generated from direct use of diesel, petrol and other fossils fuels. Our managed properties, shopping malls and hotels have a few standby small diesel generators, which will be used only when there is a sudden power outage. If we constantly and regularly use diesel, we will need to report and estimate its hazardous emissions. Fortunately, power cut-off incidents were only on ad-hoc with a few short periods in the last 3 years and is insignificant on continuous management basis, and we therefore have not reported any use of diesel herein. The Group does not own and operate a fleet of transport vehicles, its petrol and other fossils fuel consumption is insignificant and not reporting herein as well. The Group continues to encourage staff to reduce flights by teleconferencing and to use public transport as means to consume less energy and to produce less GHG of CO_2.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the reporting period, same as 2018, the Group did not breach any laws, rules or regulations and did not receive any notice of fine or warning from any governmental agencies in relation to its emissions in China and Hong Kong, which might have an adverse impact on the environment and the Group.

For the reporting period, the Group's operations and activities indirectly generated 4,292 tonnes of GHG of CO_2 emissions from its offices and the managed properties, shopping malls and hotels from the use of electricity, which was 479 tonnes/10.0% less than 2018. However, if we compare the similar operations and activities of the Group between 2019 and 2018, our GHG of CO_2 emission control measures performed quite satisfactorily. In 2019, the property investment sector in Hubei emitted 1,101 tonnes of GHG of CO_2, while there was only an insignificant amount of GHG of CO_2 emission in 2018. If we deduct this, the overall GHG of CO_2 emission in 2019 was 3,191 tonnes, or 1,580 tonnes/33.1% less than 2018. If we just consider the Hong Kong office, GHG of CO_2 emission was 9.65 tonnes in 2019, which was 15.87 tonnes or 62.18% less than 2018. This significant drop clearly evidenced a success of our GHG of CO_2 emission control measures. Owing to the different natures of our operations and activities involving leased properties, shopping malls, hotels and management services offices, and the unpredictable and irregular changes on the volume and level of operations and activities as a result of market changes or other unforeseen reasons, it is difficult to determine and to estimate the intensity of our direct and indirect hazardous and non-hazardous air emissions.

In the coming year, the Group targets to maintain its GHG of CO_2 emission performance in the property management and Hong Kong office operations, and at the same time to reduce 3%-5% in the property investment operation especially in Wuhan City, Hubei.

(ii) Noise Pollution Emission

The operations and activities of our offices and the managed properties, shopping malls and hotels do not generate and emit any noises. Moreover, under our management, the managed properties' and shopping malls' residents, tenants and visitors and the hotels' guests have continued to be managed not to generate any noises which may disturb others. The Group has complied with all the national and local laws, rules and regulations to ensure noise emission is under strict control. The Group did not receive any complaints related to noise emission for the reporting period, which was consistent with our performance in 2018 and targets to achieve the same performance in the coming year.

(iii) Light Emission

The operations and activities of our offices and the managed properties, shopping malls and hotels do not generate and emit any light pollution as well. The Group has designed, decorated and installed lighting systems for its managed properties, shopping malls and hotels that are strictly in compliance with the local requirements and standards, and no light pollution is caused. The Group did not receive any complaints related to light emissions for the reporting period, which was consistent with our performance in 2018 and targets to achieve the same performance in the coming year.

(iv) Water Pollution and Discharge

The Group's operations and activities only generate living and hygiene water used by our employees, residents, tenants, visitors and guests of the managed properties, shopping malls and hotels, which is not harmful nor toxic by nature. Water is supplied from the city supply network and is discharged through the central sewage system. The Group did not receive any complaints or warnings relating to the discharge of polluted water for the reporting period, which was consistent with our performance in 2018 and targets to achieve the same performance in the coming year.

(v) Hazardous and Non-Hazardous Wastes Discharge and Disposal

The Group's operations and activities only generate non-hazardous general wastes, such as used papers and packaging materials, office residuals, general rubbish and hygiene and living wastes, by its employees, residents, tenants, visitors and guests of the managed properties, shopping malls and hotels. All these wastes are disposed to rubbish bins and stored in rubbish depots and will be collected by the city urban clean services on daily basis or fee basis. The Group did not receive any complaints or warnings on its wastes disposal for the reporting period, which was consistent with our performance in 2018 and targets to achieve the same performance in the coming year. As explained above, owing to the different natures of our operations and activities involving leased properties, shopping malls, hotels and management services offices, and the unpredictable and irregular changes on the volume and level of operations and activities as a result of market changes or other unforeseen reasons, it is difficult to determine and to estimate the intensity of solid non-hazardous wastes.

(vi) Mitigation Measures

As a responsible corporation, for costs saving purposes and for the protection of the environment, the Group continues to comply with all the national and local environmental laws, rules and regulations and industrial standards, and has also implemented the following environmentally friendly measures into its daily operations and activities to minimise adverse impacts on our environment, through continuously striving to maximise energy and water efficiency and to minimise wastes.

- Appointed responsible officers to regularly inspect our offices and managed properties, shopping malls and hotels to ensure the fresh water is not wasted, power is turned off when works is not being carried out, and the use of natural ventilation to replace air-conditioning in allowable conditions;

- Reduced unnecessary business trips and promoted the use of the latest information technology, such as video conferencing;

- Encouraged the employees to take public transport or car-pooling to minimise the use of private vehicles and taxi;

- Invested in fresh water and energy saving tools and equipment such as the installation of water measuring meters, LED lights and solar energy systems; and

- Implemented a waste-classification system and the practice of recycling use of resources especially on printing papers.

As a result, the Group did not have any violation related to hazardous or non-hazardous air emissions and wastes discharges, fines or warning notices from the relevant environmental agencies in Hong Kong and China in 2019, same as 2018. The Group is determined to reinforce and to take all required measures to continue to achieve and improve on our environmental performance in coming years, and is also committed to contribute to combat global warming by reducing the generation of GHG of CO_2 emissions and pollutants, and preserving natural resources especially fresh water by reducing wasting uses.

A2. Use of Resources

The Group's managed properties, shopping malls and hotels, property investment, development and management services offices only use electricity to run their operations and activities, fresh water for general hygiene and cleaning needs, printing papers and paper bags for general offices routine works and services to visiting clients and guests. The Group has not used other natural resources in a significant amount in its normal business activities and operations.

Although the Group's operations and activities do not generate much environmental hazards, we are committed to act responsibly and aim to minimise our impact on the environment whilst also reducing our operational costs. We promote efficient uses of resources, including electricity, fresh water, paper and packaging materials, through the introduction of various measures as disclosed above. For the reporting period, the Group did not find any unreasonable uses of resources including electricity, fresh water, paper and packaging materials, which were all within our internal control targets.

(i) Electricity and Fuel Consumption

The Group's managed properties, shopping malls and hotels, property investment, development and management services offices only use electricity supplied from the local city grids without any problem. To save operational costs and to combat climatic changes by reduction of GHG of CO_2 and pollutants emissions, the Group has already implemented measures as explained in the "Mitigation Measures" paragraph to reduce energy consumption.

For the reporting period, the Group's offices and the managed properties, shopping malls and hotels consumed a total of 4,291,789.98 kWh, which was 493,913.72 kWh or 10.32% less than 2018. This was mainly due to our decrease in activities and a small drop of 4.6% in our number of employees. As explained above, owing to the different natures of our operations and activities involving leased properties, shopping malls, hotels and management services offices, and the unpredictable and irregular changes in the volume and level of operations and activities as a result of market changes or other unforeseen reasons, it is difficult to determine and to estimate the electricity consumption intensity against turnover and employees numbers. For the coming year, the Group targets a reduction of 3% of electricity consumption under normal operating conditions through improvement in energy efficiency management measures.

As aforementioned, the Group uses diesel for our standby power generators only and which are only used during power shortages. Fortunately, over the last three years, such incidents were only experienced momentarily, and as such are insignificant in terms of general and usual operations and we therefore, have not reported any use of diesel herein.

(ii) Fresh Water Consumption

The Group's offices, managed properties, shopping malls and hotels have no problem in sourcing fresh water supply, which comes from the cities' central water supply network, using for living, hygiene and cleaning purposes by its employees, residents, tenants, visitors and guests of the managed properties, shopping malls and hotels. We have encouraged our employees to efficiently use fresh water as it is one of the most important resources of today's world. We have appointed supervising staff to regularly inspect the places, such as toilets, kitchens and bathrooms to ensure all the water taps have been turned off when they are not in use, and to check and remediate immediately any water leakage. In the toilets and the managed properties and shopping malls and hotel rooms, we have posted notices to remind the users to reduce fresh water consumption, and in the managed hotels we have encouraged guests to reuse towels to assist in further conserving fresh water consumption. We have also continued to use treated water for toiletry purposes in the managed properties, shopping malls and hotels.

For the reporting period, the Group consumed a total 155,600 cubic meter ("CBM") of fresh water (54,347 CBM by the managed hotels and 101,253 CBM by the property management offices and managed shopping malls), which was 45,816 CBM (15,776 CBM by the managed hotels and 30,040 CBM by the property management offices and the shopping malls), or 41.73% more than 2018. The two-year continuous increase in fresh water consumption, especially in the property management offices and the shopping malls, were mostly due to a gradual increase of visitor flows to the shopping malls, which the Group could not control. However, the increase have again alerted the management, who has already instructed the managers of the property management offices and the hotel managers to closely inspect the shopping malls and hotels to ensure that there has been no wastage, and to find out possible ways to educate and to encourage the residents, tenants, visitors and guests to co-operate on efficient uses of fresh water. Owing to the fact that the water consumption by the residents, tenants, visitors and guests cannot be controlled by the Group, it is therefore not meaningful to estimate its usage intensity. For the coming year, the Group targets to stop the increasing trend and to achieve an overall reduction of fresh water consumption by 3% under normal operating conditions.

(iii) Paper and Packaging Materials and other Raw Materials Consumption

Although the Group's activities and operations do not consume significant amounts of papers and packaging materials, to save operational costs and improve its environmental friendly footprint, the Group has continued to implement the following measures, requested its employees and the residents, tenants, visitors and guests of the managed properties, shopping malls and hotels to co-operate in reducing paper and packaging material consumption:

For employees:

- Applying computer technology such as storage of documents in electronic version, communications via emails and messages to replace paper consumption;
- Reusing stationery such as envelopes, document folders etc.; and
- Print on either both sides of a plain paper or on recycled paper.

For residents, tenants and visitors of the managed properties and shopping malls and guests of the managed hotels:

- Stopping the provision of plastics and paper bags in the hotels;
- Encouraging everyone to use recycled and reusable environmental bags and containers; and
- Posting notices in convenient places to request their cooperation in reducing the uses of plastic bags and papers.

For the reporting period, the Group did not aware of any indictor alerting to the consumption of paper and packaging material at an excessive level. For the coming year, the Group targets to achieve a reduction in the paper and packaging materials consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A3. The Environment and Natural Resources

The Group's activities and operations do not generate any environmentally unfriendly emissions and discharges, which will cause significant environmental impact and hazards. The Group also does not consume significant and excessive amounts of water, paper and packaging materials. As a responsible corporation, we have implemented environmental protection policies and have complied with all the national and local environmental laws, rules and regulations, and industry standards. We are committed to conserving resources in order to reduce the impact on the environment as well as saving operational costs. We cooperate with the local government agencies and support environmental organizations' activities to build a "clean" environmental society.

During the reporting period, electricity, fresh water, paper and paper-based packaging materials for our normal operations and activities were the only key elements which were considered to have an impact on the environment. The Group has continued to support all measures to reduce, reuse and recycle as far as possible and practicable. The Group honoured its environmental obligations and did not receive any warning or notice of complaint from any governmental environmental agencies, clients or business partners that we violated any environmental rules and regulations, polluted the environment or caused any environmental troubles. We have also taken initiatives to guide and requested the residents, tenants, visitors, and guests to co-operate on saving energy and water. For the coming year, we strive to continue to achieve a record of zero complaints and no pollution occurrences, and to explore new avenues and means to accomplish our goals of conserving natural resources and protecting the environment.

A4. Climate Change

After reviewing the Group's operations and activities and collecting the views and opinions of the stakeholders, in consideration of the current global environmental conditions, the Board of the Group identifies that global warming, conservation of fresh water and reduction of papers and paper-based packaging materials are the most significant climatic issues that may impact the Group and the physical environment. These climatic issues not only affect the operational costs of the Group, such as the increased offering of air-conditioning, water and papers and paper-based packaging materials in our managed shopping malls and hotels, but they will also affect the environmental conditions on our managed properties, shopping malls and hotels.

Presently, it is generally agreed that global warming is mainly caused by the excessive and uncontrolled emission of GHG of CO_2 into the atmosphere, which is directly and indirectly the result of uses of fossil fuels for electricity and transportation generation. During the reporting period, the Group's operations and activities did not directly generate any GHG of CO_2 emission, we did generate GHG of CO_2 emission indirectly through the use of electricity. We have implemented policies and measures, explained in aforementioned paragraphs, to use electricity efficiently to reduce GHG of CO_2 emission, which is a main contributor of global warming. Furthermore, we have supported reforestation and implemented less-paper office to curb our contribution to global warming.

Conservation of fresh water is one of the most urgent actions to be taken. Although the Group cannot directly control our managed shopping malls' visitors, hotels' guests and properties' tenants on the uses of fresh water, we have taken measures as explained above to educate, guide and request their co-operation to smartly use of water in order to reduce its consumption.

With regard to the consumption of paper and paper-based packaging materials, which directly relates to the cutting of trees and the ultimate affects on global warming. The Group believes that the uncontrolled and excessive usage of papers and paper-based packaging materials are one of the main causes for the continued and fast disappearance of forests and consequently the effects on global temperatures. To remediate, the Group has introduced and will continue to devise and to implement measures, such as minimisation of the use of paper-based bags and papers in our managed hotels, and printing papers in our offices. The ultimate noble aim is to achieve a near zero usage of papers and paper-based packaging materials in our daily operations and activities, which may help to stop deforestation and to slow down global warming gradually.

For the reporting period, the Group's business operations and activities did not cause any events or issues that might immediately impact the climate or result in the change of the climate seriously. The Group has already implemented measures to lower indirect GHG of CO_2 emission, fresh water, paper and paper-based packaging materials consumption for the coming year.

(B) SOCIAL RESPONSIBILITY

Employment and Labor Practices Aspects

B1. Employment

The Group's business development and growth relies heavily on the commitment, passion and skills of its employees. We therefore value our employees as our most valuable assets. We strive to create a workplace which makes each employee feel valued and inspired to do their best. We are committed to strictly comply with all the relevant statutory requirements in the Labour Law of the PRC (中華人民共和國勞動法) and other applicable laws and regulations in the PRC, and the "Hong Kong Employment Ordinance".

Since the commencement of ESG reporting, the Group has continued its employment policies and practices throughout, which include the following main features:

- Owing to the diversity in our operation bases and activities, the Human Resources Department in the headquarter offices is responsible to review and approve the human resources policies, and employment terms and conditions, while the local subsidiaries' human resources managers implement the approved policies and measures in accordance with the local employment laws, rules, regulations and practices;

- Adopt humanistic and equitable human resources policies with equal opportunities for all without discrimination on hiring, promotion, remuneration, benefits, training, dismissal and other aspects of employment;

- All employees are required to sign employment contracts with the Group and/or its subsidiaries, and will receive an Employee Handbook, detailly listed out all the employment terms and conditions, benefits and obligations including but not limited to, appointment, termination, working hours, rest days, statutory holidays, remunerations, various compensations, dismissals, health, general safety and welfares etc.;

- In accordance with the requirements of the national laws of PRC, such as Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on Housing Provident Funds (住房公積金管理條例) and local Employment and Labour Law of Hong Kong, the Group provides and maintains statutory benefits to all qualified staff, including but not limited to the mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays;

- Employees' remunerations are determined with reference to the prevailing market level in line with their competency, qualifications, experience and job position. Discretionary bonuses of such amounts and at such intervals for internal employees will be rewarded at the discretion of the top management with consideration on performance;

- The recruitment and evaluation process of the Group is transparent and ensures equitable positions and equal opportunities to all employees on all qualified job applications, transfers and promotions; and applicants will be considered without discrimination on age, race, religion, sex and disability basis; and

- Provide a safe and pleasant working environment to our employees.

For the reporting period, the Group has complied with all the employment laws, rules and regulations of the PRC and Hong Kong, and has honored all obligations including the payment of salaries and wages, holidays and leave, compensations, insurance and health benefits without disputes with our employees, which was consistent with our performance in 2018. We are confident that our well performed employment policies and measures and track records will continue in the coming years ahead.

As required by ESG Guide, the Group's Employment is analyzed and summarised below:

- Total number of employees – 224 for 2019 and 235 for 2018; the decrease of only 4.6% over 2018 may be considered as a low number and implies a stable work force especially given the diversity of our operational base and relatively low skill requirements of our positions and jobs;

- Change of employees – Hong Kong headquarters was 14 for 2019 and 19 for 2018, or –26.3% change, which was quite substantial; PRC offices 210 for 2019 and 216 for 2018 or –2.7% which was insignificant;

- Male and Female – 107 or 47.76% (2018: 114 or 48.5%) were male and 117 or 52.24% (2018: 121 or 51.5%) were females; and the female numbers exceeded the male numbers for both 2018 and 2019 as more female workers were employed for the general and cleaning services in the managed hotels and shopping malls; and

- Regional Distribution – 14 or 6.3% were in Hong Kong and 210 or 93.7% were in China, as Hong Kong headquarter office is an administrative center only and China offices are the main operational base.

B2. Health and Safety

As a continuing cornerstone policy, the Group at all times provides a safe, clean and pleasant working environment to all the employees as its top priority on business planning and resources allocation, which can be summarised below:

- Constantly improves the occupational safety and health management system in order to reduce risks and create a safe working environment;

- Ensures all the safety, medical and hygiene equipment are adequately in place and are operating efficiently, passing inspections and complying with all the safety and hygiene rules and regulations;

- Requires all employees to strictly comply with the health and safety policies, rules and regulations and has constantly alerted the employees to perform their tasks under safety conditions;

- Takes occupational health and safety as one of our prime responsibilities, and employees are required by the in-house rules to notify their superiors immediately, whenever emergency or accidents, regardless of minor or serious occur, who will then take appropriate measures to ensure safety is not compromised, and in all circumstances the in-house rules also require all injuries or accidents to be promptly and properly dealt with and reported in accordance with the local or national laws as appropriate; and

- Insure all qualified employees in both the PRC and Hong Kong with medical insurance in accordance with the statutory requirements of the two places.

The Employees' Handbook and Labor Contract for Chinese employees and Employment Contract for Hong Kong employees set out detailed health and safety guidance and measures, which comply with the employment ordinance of Hong Kong and labor laws and regulations of the PRC, and which the Group has honored completely.

For the reporting period, the Group did not have any work related serious fatalities or injuries, nor any claimed disputes on employees compensation or investigation by any government agencies, which was consistent with our performance in 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B3. Development and Training

The Group recognises the value and contributions of its employees and is willing to invest and to offer training and development to enhance their skills and capabilities. The Group has regularly offered in the last few years in its local property/shopping mall/hotel management services offices internal and on-the job training programs, including but not limited to occupational safety, jobs related skills, services quality etc. to new and current employees. The Group has also supported its employees to continue learning and enhancing their job skills. Individual employees can apply for further development and training and the Group will sponsor or allow paid leave for employees to attend job related training programs.

For the reporting period, in its hotel management offices in China, the Group provided internally designed training programs to 80 employees, totaling 227 hours, which was approximately 3 hours per employees, and was quite close to the same records in 2018. While on property and shopping malls' management offices, on-the-job orientation and refreshing training programs also provided to employees regularly, 21 times in 2019 which was less than the 47 times in 2018.

B4. Labour Standards

The Group has continued to strictly comply with the PRC and the Hong Kong labor laws and employment regulations in the relevant jurisdictions in which it operates and adopts the respective national standard as its minimum labor standard on labor protection and welfare. The Group also always maintains strict compliance with the laws in relation to equal employment opportunities, prevention of child or forced labor. The Human Resources managers are charged with the responsibilities to ensure all such compliances are strictly adhered, failing which will be a breach of work duties and will be fired. The Group has honored all of our obligations towards the employees under the signed employment contracts and the terms and conditions written in the Employee Handbook, and has built a safe, healthy and harmonious working environment in all our offices. The Group had not violated any provisions under the Labor Laws of the PRC and Employment Ordinances of Hong Kong, and no labour litigation and charge was filed against us in the reporting period, same performance as 2018.

As a routine practice, with the purpose to improve understanding and the general working environment, the Group regularly invites the employees' representatives to meet to discuss about issues relating to working conditions, health and safety. The Group believes that with effective communication, trust can be built and a win-win situation can be established.

B5. Supply Chain Management

The ESG Guide specified the supply chain management primarily refers to the management of sourcing and procurement especially in relation to environmental and social risks. Same as the last few years, the Group has approved and implemented policies and regulations with the purposes to achieve an efficient and stable supply of quality products and services, elimination of malpractices, and manage the suppliers to be in line with the Group's core values to uphold environmental and social standards.

The sourcing and procurement management of the Group's properties, shopping malls, hotels and offices management services operations and activities summarised below:

For property, shopping mall and hotel management services operations, there are many types of purchases including raw materials, utensils and consumables, such as stationery, cleaning detergent, towels, appliances; food and beverage products, repair and maintenance tools, project construction materials and contract services.

To ensure a stable, quality assured and cost-efficient procurement, the Group has implemented clear procurement management rules and guidelines containing policies and procedures with respect to procurement including quality control, warehousing, payment and documentation approval process, and methods of payment. We select the suppliers based on a set of criteria, which includes (i) ability to meet specification and standards, (ii) products and services quality; (iii) pricing of the products and services; (iv) reliable delivery times; and (v) historical record of the suppliers' business relationships with us and others in the industry and their committed compliance to laws, rules and regulations. The Group also assesses the suppliers with regard to their track records on environmental maintenance and performance. The Group keeps a list of suppliers and will invite 2-3 suppliers to tender for purchases to get the optimal offer and to eliminate malpractices if the purchase order is of a reasonable size in the opinion of the CEO and office manager.

To save costs and delivery time and to support the local economic development, the Group procured all the raw materials and accessories from local suppliers in China in the reporting Period, same as 2018. The Group did not have any disputes and litigations with our suppliers in the reporting period, which was consistent with our performance in 2018.

B6. Product Responsibility

The ESG Guide mentioned four major aspects related to Product Responsibility policies and practices: product quality and safety, customer services and complaints handling, privacy and intellectual property rights.

(i) Quality and Safety

As a standard policy, the Group always takes all reasonable steps to ensure that the services delivered to its residents, tenants and visitors to its managed properties and shopping malls, and guests live-in its managed hotels are safe, accurate, satisfactory and meet all agreed or legally required requirements and industries standards and pursuant to its sales and purchases contracts and/or tenancy agreements signed on health and safety, quality of services, timing and price satisfaction. Apart from the provision of quality hardware and facilities, the Group has regularly trained and ensured the property and hotel management services' employees to provide service with politeness, smiles and a positive attitude, and to render support with empathy and heart to the residents, tenants, visitors and/or guests.

(ii) Customer Services and Complaints

It is a continuing policy that the local management services offices' managers are the direct controller to monitor and to review the performance of the delivered quality of services meeting both internal and external quality assurance processes and codes. The residents, tenants, visitors and guests of the managed properties, shopping malls and hotels can contact the managers directly or to leave messages by letters, emails and phone about their requests, concerns dissatisfactions and complaints. Upon receiving, the site duty-officers or managers are required to handle immediately without delay. If the incidents are beyond the handling capacity of the site duty-officers or managers, they have to report immediately to the general manager of the local offices, which ensures to find out a solution to address the requests, concerns, dissatisfactions and complaints. For serious issues and complaints, the local management offices will afterwards complete a report to explain and give recommendations for future improvement to the management of the Group.

In the reporting period, local property, shopping mall and hotel management services offices were proud again that they received no major complaints from the residents, tenants, visitors and guests, or warnings from the Consumer Councils or relevant government authorities on the quality of its services, which was in consistent with 2018 performance record.

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(iii) Intellectual Property

As written in last ESG report, given the nature of the Group's business, it does not involve intellectual property right ("IPR") issues. However, the Group recognises and complies with all the relevant laws and rules in relation to intellectual property, such as buying original software for office applications and uses. In the reporting period, as well as 2018, the Group did not have any infringement by third parties on its IPR or by itself to any IPR of third parties.

(iv) Privacy

The Group's property, shopping mall and hotel management services business operations, owing to their business nature, has generated and accumulated large volumes of private, confidential and sensitive information on the residents, tenants, visitors, and guests as well as suppliers especially about the personal and company detailed background information, and financial documents and position details, terms of contracts etc., of the managed properties, shopping malls and hotels. These types of information are extremely sensitive and important. Pursuant to the Personal Data (Privacy) Ordinance ("PDPO") of Hong Kong (Chapter 486 of the Laws of Hong Kong) and the relevant laws rules and regulations relating to privacy of the PRC, the Group is obliged to keep and to protect all such data confidential and safe. If there is any breach of confidentiality or a failure to comply with the protection, collection, use and disclosure of personal data as prescribed under the PDPO, resulting in personal data related to individual candidates being leaked to or obtained by third parties as a result of its breach of confidentiality, individual candidates may take legal action against the Group for damages and/or compensation for the loss that may have arisen or been incurred therefrom, in addition and being subject to the penalties prescribed under the PDPO.

The Group fully aware of its obligation and has exercised due diligence on protecting the information. The Group has set up a system to encrypt and safeguard this sensitive and confidential information to prevent unauthorised access. The Group has authorised an IT security expert to continuously monitor, maintain and update the hardware software and security system to prevent hacking attacks at any times. Also, all the employees have been notified and legally bound in their employment contracts that they are obligated to honour the "Confidentiality Undertaking", and that no disclosure and/or leakage in whatever form of the confidential information shall be accessed and/or obtained without the approval of the senior management of Group. Legal action will be taken if violation takes place. In the reporting period, there was no report on information leakage received, same as 2018.

B7. Anti-corruption

As discussed in the introduction section, anti-corruption is a material aspect to all stakeholders. The Group has the social responsibility, as well as the duty to safeguard the assets and interests of all our stakeholders. The Group is also well aware of the importance of honesty, integrity and fairness in our business operations and has therefore put in place anti-corruption measures. We have therefore adopted a zero-tolerance approach to bribery, extortion, fraud, and money laundering crimes. All our employees and suppliers must follow our strict policies on ethical standards/business integrity that prohibits bribery and corruption in any form. The Employees Handbook and employment contracts have incorporated anti-corruption, anti-bribery and malpractices clauses, which strictly prohibit to offer, give, demand or accept any undue advantage, such as money, favours, gifts, discounts, services, loans, contracts, etc., to or from any person in order to obtain or retain business. All employees are required to declare any conflicts of interests in the execution of their roles and duties.

Transactions in large monetary sums are processed through bank transactions which require authorised signatories of the appropriate levels depending on the amount involved. Checks and balances have been installed in the Group for money transaction activities and are considered effective and adequate.

In the reporting period, there was no bribery or corruption cases against the Group or its employees reported, which was consistent with 2018.

B8. Community Investment

The Group's property, shopping mall and hotel management services operation continued to provide nearly 200 jobs to low skilled city and country-side workers especially female in 2018 and 2019, and to encourage and support employees to provide voluntary services to the community on paid leave on application.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value. The board of directors (the "Board") reviews its corporate governance system from time to time in order to meet the rising expectations of shareholders and comply with the increasingly tightened regulatory requirements.

BOARD OF DIRECTORS

1. The Board

The Company is managed through the Board which currently comprises six Directors, comprising Mr. Li Chao Bo (Chairman) (resigned as the Chief Executive Officer on 17 December 2019), Mr. Ji Jiaming and Mr. Ye Tianfang (Chief Executive Officer) (appointed on 17 December 2019) as Executive Directors, Mr. Zhang Guiging as Non-executive Director and Mr. Ng Chi Ho, Dennis, Mr. Kwok Kin Wa (appointed on 4 June 2019), Ms. Kwong Mei Wan, Cally (appointed on 22 July 2019), Mr. Wang Jian (resigned on 22 July 2019) and Mr. Ji Yehong (resigned on 4 June 2019) as Independent Non-executive Directors. Independent Non-executive Directors comprise 43% of the Board. The Company has compiled with the Listing Rules requirement of Independent Non-executive Directors representing at least one-third of the Board throughout the year ended 31 December 2019. The names and biographical details of the Directors of the Company, and the relationship amongst them, if any, are set out on pages 13 to 15 of this annual report.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or Director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matter shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the chief executive officer.

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances.

The Board conducts scheduled meetings on a regular basis. Ad-hoc meetings are convened when circumstances require; the Board had met thirteen times in the year ended 31 December 2019 to consider, review and approve significant matters including the 2018 annual results, the 2019 interim results, acquisition of the entire issued share capital of Precious Palace Enterprises Limited, disposal of 30% equity interest of a subsidiary, and refreshment of general mandate.

Non-executive Directors and Independent Non-executive Directors are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgement. At least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules.

To enhance the effectiveness of the Board and to encourage active participation and contribution from Board members, the Board has established an audit committee, a remuneration committee and a nomination committee. Detailed descriptions of each of these committees are set out below. All of these committees adopt, as far as practicable, the principles, procedures and arrangements of the Board in relation to the scheduling and proceeding of meetings, notice of meetings and inclusion of agenda items, records and availability of minutes.

2. Appointment, Re-election and Removal of Directors

At each annual general meeting of the Company ("AGM"), one-third of the Directors are required to retire from office by rotation. At 31 December 2019, all Independent Non-executive Directors are appointed for a fixed term not exceeding three years and all Non-executive Directors (except for chairman) are subject to the requirements of retirement by rotation and re-election by Shareholders at the AGM in accordance with the Company's articles of association (the "Articles").

The names and biographical details of the Directors who will offer themselves for election or re-election at the forthcoming AGM are set out in the circular to Shareholders to assist Shareholders in making an informed decision on their elections.

The Company establishes a nomination committee participating in the appointment of new Directors. In evaluating whether an applicant is suitable to act as a Director, the nomination committee will consider the experience and skills of the applicant, as well as personal ethics, integrity and the willingness to commit time in the affairs of the Group. Where the applicant is appointed as an Independent Non-executive Director, the Board will also consider his independence. During the year ended 31 December 2019, the Board had also reviewed and made recommendations in respect of the re-appointments of retiring Directors, which were approved by the Shareholders at the last AGM.

Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company both under the Listing Rules and applicable laws. The Company has arranged appropriate insurance cover in respect of legal action against the Directors and officers.

3. Chairman and Chief Executive Officer

The Group is committed to achieving high standards of corporate governance. Throughout the year ended 31 December 2019, the Company had applied the principles and complied with the requirements set out in the CG Code in Appendix 14 of the Listing Rules.

Under this code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, Mr. Li Chao Bo was acting as both the chairman of the Board (the "Chairman") and the Chief Executive Officer (the "CEO") from 31 May 2018 to 17 December 2019. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. With effect from 19 December 2019, in order to promote the good corporate governance of the Group to differentiate the roles between the chairman and the chief executive officer under the Listing Rule, Mr. Li Chao Bo resigned and Mr. Ye Tianfang was appointed as the Chief Executive Officer of the Company. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues at the Board meetings.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. The Chief Executive Officer is in charge of the Company's management and operating businesses. The Chief Executive Officer is also responsible for developing strategic plans and formulating the Company practices and procedures, business objectives, and risk assessment for the Board's approval.

BOARD COMMITTEES

1. Audit Committee ("AC")

During the year ended 31 December 2019, the AC comprised five Independent Non-executive Directors, namely Mr. Ng Chi Ho, Dennis (AC Chairman), Mr. Kwok Kin Wa (appointed on 4 June 2019), Ms. Kwong Mei Wan, Cally (appointed on 22 July 2019), Mr. Wang Jian (resigned on 22 July 2019) and Mr. Ji Yehong (resigned on 4 June 2019). The company secretary (the "Company Secretary") of the Company serves as the secretary of the AC and minutes of the meetings are sent to the members of the AC within a reasonable time after the meetings. The quorum necessary for the transaction of business by the AC is two.

At least one of the members of the AC has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

The Board expects the members of the AC to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the AC in order to comply with the requirement of the CG Code. In December 2015, the Board adopted a revised terms of reference of the AC which include the amendments in line with the requirements of the CG Code. The revised terms of reference setting out the AC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

Under its revised terms of reference, the AC has been delegated the corporate governance functions of the Board to monitor, procure and manage corporate compliance within the Group.

The operations of the AC are regulated by its terms of reference. The main duties of the AC include:

- to review and supervise the Group's financial reporting process including the review of interim and annual results of the Group;

- to review the external auditors' appointment, remuneration and any matters relating to resignation or termination;

- to examine the effectiveness of the Group's internal control which involves regular review in various corporate structures and business process; and

- to realise corporate objective and strategy by taking into account the potential risk and the nature of its urgency in order to ensure the effectiveness of the Group's business operations. The scope of such reviews includes finance, operations, regulatory compliance and risk management.

Works performed during the year included:

(i) considered and approved the terms of engagement of the external auditor and their remuneration;

(ii) reviewed the annual financial statements for the year ended 31 December 2018 and the interim financial statements for the six months ended 30 June 2019;

(iii) reviewed the Group's risk management and internal control system; and

(iv) reviewed the Company's policies and practices on corporate governance.

The revised terms of reference setting out the AC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The AC met two times during the year ended 31 December 2019 with an attendance rate of 100% and reviewed the annual results of the Group for the year ended 31 December 2018 and the interim results of the Group for the six months ended 30 June 2019. The Company Secretary keeps all the minutes of the AC meeting.

2. Remuneration Committee ("RC")

During the year ended 31 December 2019, the RC comprised five Independent Non-executive Directors namely Mr. Kwok Kin Wa (RC Chairman) (appointed on 4 June 2019), Mr. Ng Chi Ho, Dennis, Ms. Kwong Mei Wan, Cally (appointed on 22 July 2019), Mr. Ji Yehong (RC Chairman) (resigned on 4 June 2019) and Mr. Wang Jian (resigned on 22 July 2019). The Company Secretary serves as the secretary of the RC and minutes of the meetings are sent to the members of the RC within a reasonable time after the meetings. The quorum necessary for the transaction of business by the RC is two.

In February 2015, the Board adopted a revised terms of reference of the RC which include the amendments in line with the requirements of the CG Code. The revised terms of reference setting out the RC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The RC has adopted the model that it will review the proposals made by the management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the RC.

Major responsibilities and functions of the RC are:

- to make recommendations to the Board on the issuer's policy and structure for all remuneration of Directors and senior management;

- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;

- to review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the issuer;

- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

- to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board.

Works performed during the year included:

(i) reviewed and approved the remuneration of all Executive Directors of the Company for the year of 2019; and

(ii) reviewed the level of Directors' fees and made recommendations on the Directors' fees for the year ended 31 December 2019.

The RC met five times during the year ended 31 December 2019 with an attendance rate of 100% and reviewed its terms of reference, the remuneration policy of the Group and the remuneration packages of Directors and senior management. The fees of the Directors are subject to the Shareholders' approval at general meetings of the Company. Other emoluments are reviewed by the RC with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the remuneration payable to the Directors are set out in Note 9 to consolidated financial statements.

3. Nomination Committee ("NC")

During the year ended 31 December 2019, the NC comprised five Independent Non-executive Directors namely Mr. Kwok Kin Wa (NC Chairman) (appointed on 4 June 2019), Mr. Ng Chi Ho, Dennis, Ms. Kwong Mei Wan, Cally (appointed on 22 July 2019), Mr. Ji Yehong (NC Chairman) (resigned on 4 June 2019) and Mr. Wang Jian (resigned on 22 July 2019). The Company Secretary serves as the secretary of the NC and minutes of the meeting is sent to the members of the NC within a reasonable time after the meeting. The quorum necessary for the transaction of business by the NC is two.

The operations of the NC are regulated by its terms of reference. The main duties of the NC include:

- to implement the nomination policy laid down by the Board;
- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors in particular the Chairman and the Chief Executive Officer; and
- to report to the Board the findings and recommendations of the committee at the next meeting of the Board following each NC meeting.

CORPORATE GOVERNANCE REPORT

Works performed during the year included:

(i) to make recommendations to the Board in respect of the re-appointment and re-election of retiring Directors at 2018 AGM.

In February 2015, the Board adopted a revised terms of reference of the NC which include the amendments in line with the requirements of the CG Code. The revised terms of reference setting out the NC's authority and its duties and responsibilities are available on the Company's website and on the Stock Exchange website.

The NC met three times during the year ended 31 December 2019 with an attendance rate of 100%. To review its terms of reference and re-election of retiring Directors, the nomination procedures basically follow the Article 111 which empowers the Board from time to time and at any time to appoint any person as director either to fill a casual vacancy or as an addition to the Board.

During the year, the Company has formulated a policy for nomination of directors with the following procedures:

1. The Nomination Committee shall consider suitability of an individual pursuant to the Listing Rules, the Board Nomination Policy and Board Diversity Policy, and the independence of an individual for the position of independent non-executive director.

2. The Nomination Committee shall make recommendation to the Board's for consideration.

3. The Board shall consider the individual recommended by the Nomination Committee pursuant to the Listing Rules (including the corporate governance code as Appendix 14 to the Listing Rules), the Board Nomination Policy and Board Diversity Policy.

4. For casual vacancy and addition of new directors, the Board shall confirm the appointment of the individual and the new director shall be subjected to re-election by shareholders of the Company at the next annual general meeting in accordance with the articles of association of the Company.

5. For re-appointment of retiring directors, the Board shall, based on the recommendation of Nomination Committee, recommend the retiring directors to stand for re-election at the annual general meeting. The appointment of retiring directors shall be subjected to the approval of shareholder at the annual general meeting.

6. The Board reserves the right to final decision on the matters in relation to the selection and appointment of directors.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy, under which the Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. During the reporting period, the Company has a solid slate of Directors with diverse perspectives and varied educational background and expertise made-up, from finance and corporate management, to professional qualifications in accounting fields. The Board shall review the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate to the requirements of the Company's business, with due regard to the benefits of diversity of the Board.

ATTENDANCE AT MEETINGS

During the year under review, the attendance records of the Directors at Board Meetings, Audit Committee Meetings, Remuneration Committee Meeting, Nomination Committee Meeting and the 2019 annual general meeting ("AGM") are as follows:

	Numbers of meetings attended/held				
	Board Meetings	**Audit Committee Meetings ("AC")**	**Remuneration Committee Meetings ("RC")**	**Nomination Committee Meeting ("NC")**	**2019 AGM**
Attendance/Number of meetings held					
Executive Directors					
Mr. Li Chao Bo	13/13	N/A	N/A	N/A	1/1
Mr. Ji Jiaming	13/13	N/A	N/A	N/A	1/1
Mr. Ye Tianfang[1]	1/1	N/A	N/A	N/A	0/0
Non-executive Directors					
Mr. Zhang Guiqing	12/13	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Ng Chi Ho, Dennis *(AC Chairman)*	12/13	2/2	5/5	3/3	1/1
Mr. Kwok Kin Wa *(RC and NC Chairman)*[2]	9/10	1/1	3/3	2/2	0/0
Ms. Kwong Mei Wan, Cally[3]	5/5	1/1	1/1	1/1	0/0
Mr. Ji Yehong *(RC and NC Chairman)*[4]	2/2	1/1	1/1	0/0	1/1
Mr. Wang Jian[5]	6/7	1/1	3/3	1/1	1/1

Notes:

1. Mr. Ye Tianfang has been appointed on 17 December 2019 and there was one meetings of the Board during his tenure.

2. Mr. Kwok Kin Wa has been appointed on 4 June 2019 and there were ten meetings of the Board, one meeting of AC, three meetings of RC and two meetings of NC during his tenure.

3. Ms. Kwong Mei Wan, Cally has been appointed on 22 July 2019 and there were five meetings of the Board, one meeting of AC, one meeting of RC and one meeting of NC during her tenure.

4. Mr. Ji Yehong was resigned on 4 June 2019 and there were two meetings of the Board, one meeting of AC, one meeting of RC and 2019 annual general meeting during his tenure.

5. Mr. Wang Jian was resigned on 22 July 2019 and there were seven meetings of the Board, one meeting of AC, three meetings of RC, one meeting of NC and 2019 annual general meeting during his tenure.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2019, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised as below:

(1) Code Provision A.1.3

Under this code provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. Although the ad-hoc meetings of the Board had convened when the circumstances required, which has given the sufficient notice to all directors and validly convened pursuant to the articles of association (the "Articles") of the Company.

(2) Code Provision A.2.1

Under this code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, Mr. Li Chao Bo was acting as both the chairman of the Board (the "Chairman") and the Chief Executive Officer (the "CEO") from 31 May 2018 to 17 December 2019. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. With effect from 19 December 2019, in order to promote the good corporate governance of the Group to differentiate the roles between the chairman and the chief executive officer under the Listing Rule, Mr. Li Chao Bo resigned and Mr. Ye Tianfang was appointed as the Chief Executive Officer of the Company. Following the resignation of Mr. Li Chao Bo and the appointment of Mr. Ye Tianfang as the Chief Executive Officer of the Company, the Company is able to comply with paragraph A.2.1 of the Corporate Governance Code, which requires that the roles of Chairman and the Chief Executive Officer should be separate and not be performed by the same individual. The balance of power and authorities is also ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors and has a strong independence element in its composition.

(3) Code Provision A.4.2

Under this code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. According to Articles, at each annual general meeting, one third of the Directors shall retire from office by rotation provided that notwithstanding anything therein, the chairman (the "Chairman") of the Board of the Company shall not be subject to retirement by rotation or taken into account in determining the number of Directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the role of the chairman provides the Group with strong and consistent leadership and allows more effective planning and execution of long-term business strategy. As such, the Board is of the view that the Chairman should not be subject to retirement by rotation.

Except as stated above, the Company has continued to comply with the applicable code provisions of the CG Code.

INDUCTION PROGRAMME AND TRAINING FOR BOARD MEMBERS

Each newly appointed Director receives a comprehensive and formal induction to ensure that he/she has an appropriate understanding of (i) the business and operations of the Group; (ii) his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements; (iii) the corporate governance code of the Company; and (iv) the Model Code for Securities Transactions by Directors of Listed Issuers.

The Directors are committed to complying with code provision A.6.5 of the CG Code on Directors' training effective from 1 April 2012. All Directors confirmed that they have participated in continuous professional development to develop and refresh their knowledge and skills during the year.

DIVIDEND POLICY

Under the dividend policy adopted by the Company, dividends may be declared from time to time and be paid to shareholders provided that the Group is profitable and without affecting the normal operations of the Group. In summary, the declaration of dividends and the dividend amount shall be determined at the sole and absolute discretion of the Board taking into account the following factors including (1) the Group's financial performance; (2) the liquidity position and capital requirements of the Group; and (3) any other factors that the Board may consider appropriate.

COMPANY SECRETARY

The Company Secretary, Mr. Chan Hoi Yin Anthony, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

The Company Secretary reports to the Chairman and the Chief Executive Officer, plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

During the year under review, Mr. Chan Hoi Yin Anthony has attended relevant professional seminars to update his skills and knowledge. He has complied with the Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring sound and effective internal control systems and risk management to safeguard the Shareholders' interests and the Company's assets. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment.

1. Risk Management

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2019, no significant risk was identified.

2. Internal Control

The Group's has outsourced the internal control systems auditing function. The outsourced internal auditor reports directly to the Audit Committee and is responsible for conducting regular audits on the major activities of the Group. The Audit Committee has received a report from the outsourced internal auditor summarizing audits concluded in the year. The Audit Committee has reviewed the findings and recommendations made by the outsourced internal auditor and have ensured that any issues arising from the audit are appropriately resolved by management in an efficient and timely manner.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of the Listing Rules (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors.

Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2019.

ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board acknowledges its responsibility for preparing the Group's accounts which give a true and fair view of the state of affairs of the Group on a going concern basis, with supporting assumptions or qualification as necessary.

In preparing the accounts for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable.

The management provides explanation and information to the Board to enable the Board to make informed assessments of the financial and other information put before the Board for approval.

The Board endeavours to ensure the making of balanced, clear and understandable assessments of the Group's position and prospects and extending the coverage of such information to include annual reports, interim reports, price-sensitive announcements and financial disclosures as required under the Listing Rules, reports to regulators as well as any information that is required to be disclosed pursuant to statutory requirements.

2. Auditor and their Remuneration

For the year ended 31 December 2019, the total remuneration in respect of audit service paid and payable to the Company's auditor, HLM CPA Limited, amounted to HK$1,120,000. Non-audit service fee in relation to financial reporting review and tax service for the year paid amounted to HK$165,000.

COMMUNICATION WITH SHAREHOLDERS

The Company strives to convey to Shareholders pertinent information in a clear, detailed, timely manner and on a regular basis and to take into consideration their views and inputs, and to address the Shareholders concerned. Their views are communicated to the Board comprehensively.

1. Disclosure of information on Company's website

The Company communicates with the Shareholders through the publication of annual, interim reports, circulars, results announcements and press releases. All communications to Shareholders are also available on the Company's website at www.city-infrastructure.com.

2. General meetings

The Company had provided sufficient notice for Shareholders on all general meetings of the Company. The AGM provides a useful platform for Shareholders to exchange views with the Board. The Chairman and the Board members are available to answer Shareholders' questions.

CORPORATE GOVERNANCE REPORT

3. Voting by poll

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors.

All votes of the Shareholders at a general meeting must be taken by poll according to the Listing Rules. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the AGM pursuant to the Article.

RIGHT TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PUT FORWARD PROPOSALS

In accordance with the provisions under the Articles of Association of the Company, extraordinary general meetings can be convened on the requisition of 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. Such requisition shall be made in writing to the Directors or the Secretary for the purpose of requiring an Extraordinary General Meeting to be called by the Directors 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 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist 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 Directors shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH INVESTORS

The Board recognises that effective communication with investors is the key to establish investor confidence and to attract new investors.

1. Results announcement

Annual reports and interim reports are prepared and issued to all Shareholders within the prescribed period stipulated by the Listing Rules. All results announcements and reports are posted on the Company's website and the Stock Exchange's website. The Company can still provide the Shareholders and investors with an adequate degree of transparency and information of the financial position of the Company.

2. Regular release of corporate information

The Group regularly releases corporate information such as the latest news of the Group's developments on its Company's website. The public are welcome to give their comments and make their enquiries through the Company's website and the management will give their prompt response.

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司

HLM CPA LIMITED

Certified Public Accountants

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TO THE MEMBERS OF CHINA CITY INFRASTRUCTURE GROUP LIMITED
中國城市基礎設施集團有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China City Infrastructure Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 164, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS OF OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Impairment assessment of goodwill

Reference is made to note 16 to the consolidated financial statements.

Impairment of goodwill is considered to be a key audit matter due to significant management judgements and estimates required in assessing the inputs to the valuation models supporting management's assessment of impairment.

The significant judgements that affect management's assessment of impairment of the Group's goodwill include cash flows forecast, discount rates applied, and the assumptions underlying forecast growth.

How our audit addressed the key audit matter

Our procedures in relation to the impairment assessment of goodwill included:

- Assessing the reasonableness of management's estimate of the Group's revenue growth rate and operating margin based on our understanding of the nature of the Group's business and the operating models, management's expectation of market development and the industry trends;

- Evaluating the objectivity, independence and competency of the valuer;

- Discussing with and challenging the valuer on the valuation methodologies, assumptions and key estimates and inputs used in the valuation;

- Performing a sensitivity analysis to assess the impact on the recoverable amount of the CGU by reasonable possible changes to the key assumptions such as discount rates, revenue gross margins, forecast operating margins and terminal growth rates and further challenging management's assumptions and estimates; and

We found the key assumptions used by management were comparable between historical performance and expected future outlook, and were reasonable and appropriate in the circumstances.

KEY AUDIT MATTERS (continued)

Revenue recognition from sales of properties

Reference is made to note 7 to the consolidated financial statements.

The Group's revenue from sales of properties amounted to approximately HK$11,967,000 for the year ended 31 December 2019. Sales of properties are recognized as revenue when the properties are delivered and titles have been passed.

We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue.

How our audit addressed the key audit matter

Our main procedures in relation to revenue recognition included:

- Obtaining evidence regarding the transfer of effective control of ownership;

- Testing the key internal controls over revenue recognition, and assessing whether the accounting policy related to revenue recognition was applied appropriately and consistently throughout the year;

- On a sample basis, making selections from sales record, and tracing to their sales and purchase agreements, completion certificates, occupation permits and assignments to samples before and after the end of the reporting period to assess whether the relevant revenue was recognized in the correct period.

Based on our procedures described, we found that the amount and timing of the revenue recorded were supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Valuation of investment properties

Reference is made to note 15 to the consolidated financial statements.

Management has estimated the fair value of the Group's investment properties to be HK$2,588,764,000 with a revaluation gain amounting to approximately HK$2,085,000 for the year recorded in the consolidated statement of profit or loss with reference to valuations performed by the independent external valuers.

Due to the significant financial impacts of the valuations which is dependent on certain key assumptions and inputs that require significant management's judgements and estimations, we identified the valuation of investment properties as a key audit matter.

How our audit addressed the key audit matter

Our procedures in relation to valuation of investment properties included:

- Assessing the independent external valuers' competence, capabilities, independence and objectivity;
- Assessing the valuation methodologies used and the appropriateness of the key assumptions and data adopted in the valuation based on our knowledge of the property industry;
- Evaluating, on a sample basis, the reasonableness of the significant unobservable input and the accuracy of the input data used in the valuation by comparing them to, where relevant, existing tenancy profiles, and available public information of similar comparable properties;
- Discussing the valuation with the external valuer and management and challenging key estimates and inputs adopted in the valuation including those relating to market selling prices, by comparing them with available market data, taking into consideration comparability and other local market factors; and
- Conducting site visits to all investment properties.

We consider the key assumptions and estimates adopted in the valuation are supported by available evidence and are reasonable.

KEY AUDIT MATTERS (continued)

Valuation of interest-bearing loan receivables

Reference is made to note 21 to the consolidated financial statements.

As at 31 December 2019, the Group had loan receivables of approximately HK$294,224,000 bearing interest ranging from 6% to 9% p.a. from independent third parties.

We identified the valuation of the interest-bearing loan receivables as a key audit matter due to its significant financial impact on the consolidated financial statements and the valuation of the interest-bearing loan receivables involves significant management judgements and estimations.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of the interest-bearing loan receivables included:

- Evaluating management's process of assessment of expected credit loss in respect of the interest-bearing loan receivables and assessing the operating effectiveness of the relevant internal control in determining the provision for impairment;

- Examining payment records and obtaining direct confirmation from borrowers to confirm the existence of the loan receivables; and

- Examining the loan agreements to assess the payment terms and making corroborative enquires.

Based on the work performed, we consider the management's judgements made in relation to the recoverability of the interest-bearing loan receivables was reasonable.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

HLM CPA Limited
Certified Public Accountants
Chan Lap Chi
Practising Certificate Number: P04084

Hong Kong, 13 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	7(a)	**101,107**	293,593
Cost of sales		**(45,707)**	(171,382)
Gross profit		**55,400**	122,211
Fair value gain (loss) in respect of investment properties revaluation	15	**2,085**	(28,863)
Gain on disposal of subsidiaries	34	**–**	7,644
Share of result of a joint venture	17	**731**	(1,331)
Other operating income	7(b)	**31,447**	49,504
Other operating expenses		**(16,934)**	(39,776)
Selling and distribution expenses		**(5,358)**	(54,301)
Administrative expenses		**(65,605)**	(84,381)
Finance costs	8	**(141,923)**	(138,824)
Loss before tax		**(140,157)**	(168,117)
Income tax expense	10	**(38,082)**	(8,233)
Loss for the year	11	**(178,239)**	(176,350)
Loss attributable to:			
Owners of the Company		**(175,938)**	(174,883)
Non-controlling interests		**(2,301)**	(1,467)
		(178,239)	(176,350)
Loss per share	13	***HK cents***	*HK cents*
– Basic		**(5.66)**	(5.67)
– Diluted		**(5.66)**	(5.67)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Loss for the year	**(178,239)**	(176,350)
Other comprehensive expense for the year:		
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(19,089)**	(68,241)
Release of translation reserve upon disposal of subsidiaries	**–**	(5,065)
Share of translation reserve of a joint venture	**(33)**	(188)
Other comprehensive expense for the year	**(19,122)**	(73,494)
Total comprehensive expenses for the year (net of tax)	**(197,361)**	(249,844)
Total comprehensive expenses attributable to:		
Owners of the Company	**(194,804)**	(251,141)
Non-controlling interests	**(2,557)**	1,297
	(197,361)	(249,844)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**4,405**	1,924
Investment properties	15	**2,588,764**	1,988,636
Goodwill	16	**227,203**	48,605
Interest in a joint venture	17	**2,837**	2,139
Right-of-use assets	18(a)	**42,077**	–
		2,865,286	2,041,304
Current assets			
Inventories	19	**92**	136
Inventory of properties	20	**385,146**	393,484
Trade and other receivables	21	**400,965**	382,931
Bank balances and cash	22	**21,151**	49,980
		807,354	826,531
TOTAL ASSETS		**3,672,640**	2,867,835
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	29	**312,828**	308,228
Reserves		**847,728**	953,135
Equity attributable to owners of the Company		**1,160,556**	1,261,363
Non-controlling interests		**(5,734)**	–
TOTAL EQUITY		**1,154,822**	1,261,363

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	31	**462,238**	232,307
Borrowings – due after one year	26	**612,076**	615,588
Convertible notes – due after one year	27	**373,102**	–
Promissory note – due after one year	28	**357,385**	–
Deposits received for lease of properties	25	**11,780**	12,852
Lease liabilities – due after one year	18(b)	**13,737**	–
		1,830,318	860,747
Current liabilities			
Trade and other payables	23	**169,234**	192,854
Contract liabilities	24	**158,495**	122,908
Tax payable		**71,592**	74,201
Borrowings – due within one year	26	**274,414**	333,502
Convertible notes – due within one year	27	**–**	22,260
Lease liabilities – due within one year	18(b)	**13,765**	–
		687,500	745,725
TOTAL LIABILITIES		**2,517,818**	1,606,472
TOTAL EQUITY AND LIABILITIES		**3,672,640**	2,867,835
NET CURRENT ASSETS		**119,854**	80,806
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,985,140**	2,122,110

The consolidated financial statements on pages 62 to 164 were approved and authorised for issue by the board of directors on 13 May 2020 and are signed on its behalf by:

Li Chao Bo
DIRECTOR

Ye Tianfang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital	Share premium	Convertible notes equity reserve	Share options reserve	Special reserve *(note a)*	Capital reserve *(note b)*	Translation reserve	Accumulated profits/ (losses)	Attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2017 and 1 January 2018	308,228	1,717,316	5,388	29,555	(184)	45,224	(19,917)	(573,106)	1,512,504	99,830	1,612,334
Loss for the year	–	–	–	–	–	–	–	(174,883)	(174,883)	(1,467)	(176,350)
Release of translation reserve upon disposal of subsidiaries	–	–	–	–	–	–	(5,065)	–	(5,065)	–	(5,065)
Share of translation reserve of a joint venture	–	–	–	–	–	–	(188)	–	(188)	–	(188)
Translation exchange differences	–	–	–	–	–	–	(71,005)	–	(71,005)	2,764	(68,241)
Total comprehensive expenses for the year	–	–	–	–	–	–	(76,258)	(174,883)	(251,141)	1,297	(249,844)
Share options lapsed	–	–	–	(22,542)	–	–	–	22,542	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(101,127)	(101,127)
At 31 December 2018 and 1 January 2019	308,228	1,717,316	5,388	7,013	(184)	45,224	(96,175)	(725,447)	1,261,363	–	1,261,363
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(175,938)**	**(175,938)**	**(2,301)**	**(178,239)**
Share of translation reserve of a joint venture	**-**	**-**	**-**	**-**	**-**	**-**	**(33)**	**-**	**(33)**	**-**	**(33)**
Translation exchange differences	**-**	**-**	**-**	**-**	**-**	**-**	**(18,833)**	**-**	**(18,833)**	**(256)**	**(19,089)**
Total comprehensive expenses for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(18,866)**	**(175,938)**	**(194,804)**	**(2,557)**	**(197,361)**
Issue of shares by conversion of convertible notes	**4,600**	**23,788**	**(5,388)**	**-**	**-**	**-**	**-**	**-**	**23,000**	**-**	**23,000**
Issue of convertible notes	**-**	**-**	**67,363**	**-**	**-**	**-**	**-**	**-**	**67,363**	**-**	**67,363**
Share option lapsed	**-**	**-**	**-**	**(311)**	**-**	**-**	**-**	**311**	**-**	**-**	**-**
Non-controlling interests arising on the capital injection in a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**357**	**357**
Partial disposal of a subsidiary	**-**	**-**	**-**	**-**	**-**	**(13,567)**	**6,444**	**-**	**(7,123)**	**(3,534)**	**(10,657)**
Gain on partial disposal of interest in a subsidiary	**-**	**-**	**-**	**-**	**-**	**10,757**	**-**	**-**	**10,757**	**-**	**10,757**
At 31 December 2019	**312,828**	**1,741,104**	**67,363**	**6,702**	**(184)**	**42,414**	**(108,597)**	**(901,074)**	**1,160,556**	**(5,734)**	**1,154,822**

Notes:

(a) The special reserve represents:

(i) the difference between the nominal value of the share capital issued by Wah Yuen Foods International Limited, a subsidiary of the Company, and the nominal value of the share capital of the subsidiaries acquired in a previous group reorganisation; and

(ii) the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired in a previous group reorganisation.

(b) The capital reserve represents:

(i) In 2015, the Group acquired additional interests in a subsidiary and accounted for the acquisition as equity transaction. The difference between the fair value of the non-controlling interests and the fair value of the consideration paid was recognized in capital reserve.

(ii) In 2019, the Group disposed partial interests in a subsidiary that do not result in a loss of control over the subsidiary. The transaction is accounted for as equity transaction and recognized in capital reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before tax	**(140,157)**	(168,117)
Adjustments for:		
Interest expenses	**141,923**	138,824
Interest income	**(10,169)**	(10,066)
Depreciation of property, plant and equipment	**743**	10,342
Depreciation of right-of-use-assets	**14,117**	–
Impairment loss on goodwill	**13,000**	31,000
Fair value (gain) loss in respect of investment properties revaluation	**(2,085)**	28,863
Share of result of a joint venture	**(731)**	1,331
Gain on disposal of subsidiaries	**–**	(7,644)
Operating cash flows before movements in working capital	**16,641**	24,533
Decrease in inventories	**45**	256
Decrease in inventory of properties	**4,535**	23,369
(Increase) decrease in trade and other receivables	**(12,928)**	4,083
(Decrease) increase in trade and other payables	**(39,973)**	111,197
(Decrease) increase in deposits received for sale and lease of properties	**(1,084)**	951
Increase (decrease) in contract liabilities	**35,991**	(28,898)
Cash generated from operations	**3,227**	135,491
Income tax paid	**(4,296)**	(30,579)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(1,069)**	104,912

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Additions of investment properties		**(8,998)**	(37,197)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	33	**606**	–
Consideration received from prior year disposal of subsidiaries		**–**	40,000
Net of cash inflow on disposal of subsidiaries	34	**–**	49,224
Net of cash inflow on partial disposal of subsidiaries		**100**	–
Purchase of property, plant and equipment		**(3,273)**	(467)
Payment for right-of-use assets		**(15,744)**	–
Capital injected in a joint venture		**–**	(3,658)
Capital injected from non-controlling interests		**357**	–
Interest received		**10,169**	10,066
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		**(16,783)**	57,968
FINANCING ACTIVITIES			
Repayment to shareholder's subsidiaries		**–**	(282,139)
Capital element of lease rentals paid		**(14,084)**	–
Interest element of lease rentals paid		**(833)**	–
Interest paid		**(84,124)**	(139,257)
New borrowings raised		**296,472**	315,190
Repayment of borrowings		**(207,023)**	(195,550)
NET CASH USED IN FINANCING ACTIVITIES		**(9,592)**	(301,756)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(27,444)**	(138,876)
Effect of foreign exchange rate changes		**(1,385)**	124,355
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**49,980**	64,501
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**21,151**	49,980
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**21,151**	49,980

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

China City Infrastructure Group Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 October 2002.

The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 June 2003. The Directors of the Company consider Linkway Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, a substantial shareholder of the Company.

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively, the "Group") are property investment, property development, hotel business and property management in the People's Republic of China (the "PRC").

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

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year (continued)

2.1 HKFRS 16 Leases

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

Definition of a lease

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

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

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As a lessee

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year (continued)

2.1 HKFRS 16 Leases (continued)

As lessee — leases previously classified as operating leases

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

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

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

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

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

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

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either,

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

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

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the DIA. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.35% to 5.46%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year (continued)

2.1 HKFRS 16 Leases (continued)

As lessee — leases previously classified as operating leases (continued)

	As at 1 January 2019 *HK$'000*
Operating lease commitments as at 31 December 2018	42,118
Discounted using the lessee's incremental borrowing rate at the DIA	40,875
Less: short-term leases and other leases with remaining lease term ending on or before 31 December 2019	–
Total lease liabilities as at 1 January 2019	40,875

As lessee

At the DIA, all right-of-use assets were presented within the line item "right-of-use assets" on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

As lessor

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

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

New and Amendments to HKFRSs Issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2020
4 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and Amendments to HKFRSs Issue but not yet effective (continued)

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

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

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

The New Framework:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are detailed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for the current accounting period of the Group and the Company. Note 2 to the financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

Basis of preparation

As at 31 December 2019, the Company and its subsidiaries (collectively referred to as the "Group") recorded borrowings due within one year of approximately HK$274,414,000. In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The directors of the Company believe that the Group has adequate resources, as:

(a) The Group is able to generate cash inflows from future sales of properties.

(b) One of the creditor has confirmed in writing that she will not demand repayment of the amounts totalling approximately HK$248,031,000 due to her and due to companies controlled by her until the Group is financially and operationally in a position to do so.

(c) The Group is currently actively negotiating with several banks in both Hong Kong and the PRC for renewal of banking facilities.

The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note (4).

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. A subsidiary is an entity over which the Group has control. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity attributable to owners of the Company therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

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

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in joint ventures

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

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5.

Under the equity method, an investment in a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures (continued)

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

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the joint venture is disposed of.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from Contracts with Customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. 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 goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from Contracts with Customers (continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (such as sales commission) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specification with no alternative use.

Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives a fixed amount of the contract value as deposits from customers when they sign the sale and purchase agreement. Such deposits would be recognized to sales of properties when the contract value has been fully paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from Contracts with Customers (continued)

Incremental costs of obtaining a contract *(continued)*

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the terms of the relevant lease.

Hotel operation income is recognised upon the provision of services and the utilisation of the hotel facilities by guests.

Management service income is recognised when management services are provided.

Interest income from bank deposits and loan receivables is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Property, plant and equipment

Property, plant and equipment including leasehold improvements for hotel operation held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals or land for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

The Group transfers a property from investment property to inventories when, and only when, there is a change in use, evidenced by commencement of development with a view to sale. When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the Statement of Financial Position) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid lease payments

Prepaid lease payments represent up-front prepayments made for the land use rights and are expensed in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

A prepaid lease payment is derecognised upon termination. Any gain or loss arising on the termination of the lease is determined as the difference between the proceeds received or refunded and the carrying amount of the lease and is recognised in profit or loss.

Inventories

Inventories include consumables and spare parts which are stated at the lower of cost and net realisable value.

Inventory of properties

Inventory of properties include properties under development and properties held for sale, which are included in current assets at the lower of cost and net realisable value.

The costs of properties under development consist of construction expenditures, amounts capitalised in respect of amortisation of land use rights, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less costs expected to be incurred to completion and selling and marketing costs. On completion, the properties, together with related land use rights, are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle, which are classified as properties held for development under non-current assets.

No depreciation is provided on properties under development.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables from property management services arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

***Financial assets** (continued)*

Classification and subsequent measurement of financial assets (continued)

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

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

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest earned on the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables, stakeholder's accounts, pledged bank deposits, and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables from property management services and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty 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 economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

- Past-due status; and

- Nature, size and industry of debtors.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables from property management services, lease receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and other payables, and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Convertible notes

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

At the date of issue, the fair value of the liability component is estimated by measuring the fair value of similar liability that does not have an associated equity component.

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

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-marketing vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill (continued)

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

When an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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

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

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

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

Right-of-use assets

The cost of right-of-use asset includes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a change 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 change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

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

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Lease incentive relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

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

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

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

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

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building

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

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

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to be reversed in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to cover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising from the settlement of monetary items, and from the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interest in associates.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of a control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, that is, partial disposal of associates or joint arrangements that do not result in the Group losing significant influence or joint control. The proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme for Hong Kong employees and state-managed retirement benefits schemes for employees in the People's Republic of China (the "PRC") are recognised as expenses as they fall due. The Group's obligations under state-managed retirement benefits schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash at banks and cash on hand, demand deposits with banks and other financial institutions, short-term, highly liquid investments that are readily convertible to cash and with a maturity of three months or less from date of investment, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or that is related to the Group:

(a) 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 the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(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 other entity is an associate of the third entity;

(v) the entity has a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from the disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of their useful lives.

(b) Estimated impairment on property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the higher of fair value of the property, plant and equipment and right-of-use assets less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise. At 31 December 2019, no impairment loss was recognised for property, plant and equipment and right-of-use assets (2018: HK$Nil).

(c) Provision of ECL for trade receivables and other receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivable are disclosed in note 21.

(d) Estimated impairment on goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances results in downward revision of future cash, a material impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill was approximately HK$227,203,000 (2018: approximately HK$48,605,000), net of accumulated impairment loss of HK$139,000,000 (2018: HK$126,000,000). Details of the recoverable amount calculation are disclosed in Note 16.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(e) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2019 at their fair value of approximately HK$2,588,764,000 (2018: approximately HK$1,988,636,000). The fair value was based on a valuation on these properties conducted by an independent professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

(f) Estimated impairment of inventory of properties

The Group determines the net realisable value of inventory of properties based on estimation of future selling price less costs to be incurred in relation to the sale, with reference to the prevailing market condition, valuations and estimated unit selling price from independent property valuers and internally available information and exercised considerable judgement.

(g) Recognition of current taxes and deferred taxes

There were transactions and calculations for which the ultimate tax determination was uncertain during the ordinary course of business. As detailed in the Group's accounting policies, deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	2019	2018
	HK$'000	*HK$'000*
Financial assets		
Financial assets at amortised cost	**385,656**	394,040
Financial liabilities		
Financial liabilities at amortised cost	**1,952,607**	1,295,447

The Group's major financial instruments include bank balances and cash, borrowings, trade and other receivables, trade and other payables, convertible notes and promissory notes. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Currency risk management

Certain assets and liabilities of the Group are denominated in foreign currencies, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets	**Liabilities**	Assets	Liabilities
	2019	**2019**	2018	2018
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Renminbi ("RMB")	**373,754**	**839,899**	304,867	555,523

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For the year ended 31 December 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB against HK$.

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HK$, the effect on the profit or loss and other comprehensive income for the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Decrease/increase in other comprehensive income	**23,304**	12,529
Increase/decrease in profit or loss	**3**	4

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows, carrying out fund raising activities and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2019, the Group recorded current liabilities of approximately HK$687,500,000. In view of these circumstances, the directors of the Company believe the Group have adequate resources to meet its financial obligations as they fall due after considering the following sources of funds, including but not limited to, the current assets of approximately HK$807,354,000 consisting of cash inflows mainly generated from sales of inventory of properties and facilities provided by banks and investors in the next twelve months.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities based on the earliest date on which the Group is required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interests are at floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

					2019			
	Average interest	Within 1 month or on demand *HK$'000*	1-3 months *HK$'000*	3 months-1 year *HK$'000*	1-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
Trade and other payables	N/A	165,355	–	–	–	–	165,355	165,355
Borrowings	13.05%	143,734	9,418	176,572	626,930	149,719	1,106,373	886,490
Convertible notes	14.97%	–	–	12,945	457,390	–	470,335	373,102
Promissory note	3.7%	–	–	10,905	385,310	–	396,215	357,385
		309,089	9,418	200,422	1,469,630	149,719	2,138,278	1,782,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

				2018				
	Average interest rate	Within 1 month or on demand	1-3 months	3 months- 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	N/A	192,854	–	–	–	–	192,854	192,854
Borrowings	7.79%	266,934	7,673	109,581	685,163	132,528	1,201,879	949,090
Convertible notes	14.97%	–	–	24,150	–	–	24,150	22,260
		459,788	7,673	133,731	685,163	132,528	1,418,883	1,164,204

Credit risk and impairment provision

As at 31 December 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except that the credit risks associated with loan receivables is mitigated because they are secured over properties. There is no significant changes in the quality of that collateral as a result of deterioration or changes in the collateral policies of the entity during both reporting periods.

Trade receivables from property development business, property investment business, property management services and hotel operation

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances from property management services and lease receivables individually or based on provision matrix.

Other receivables and bank balances

The Group performs impairment assessment under ECL model upon application of HKFRS 9 on other receivables and bank balances based on 12m ECL.

The credit risk on other receivables is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and impairment provision (continued)

Other receivables and bank balances *(continued)*

Based on the Group's internal credit rating, no material impairment loss allowance is recognised for trade and other receivables and bank balances.

The Group is exposed to concentration of credit risk on:

- Liquid funds which are deposited with several banks with high credit ratings; and
- Sales deposits received from properties pre-sold which are deposited with several independent intermediaries.

The Group's concentration of credit risk by geographical locations is in The People's Republic of China ("PRC") as all trade receivables from property management services, lease receivables and loan receivables are arisen in PRC for both years.

Other than above, the Group does not have any other significant concentration of credit risk.

The tables below is the internal credit policy of the Group:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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For the year ended 31 December 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and impairment provision (continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2019	Notes	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amounts** *HK'000*
Trade receivables	21	N/A	(Note)	Lifetime ECL (provision matrix)	24,050
Other receivables	21	N/A	Low Risk	12 month ECL	340,455
Bank balances and cash	22	AA+	N/A	12 month ECL	21,151

2018	Notes	**External credit rating**	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amounts** *HK'000*
Trade receivables	21	N/A	(Note)	Lifetime ECL (provision matrix)	42,959
Other receivables	21	N/A	Low Risk	12 month ECL	339,972
Bank balances and cash	22	AA+	N/A	12 month ECL	49,980

Note:

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its property investment operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

During the year ended 31 December 2019, no material impairment allowance on trade receivables is provided based on the provision matrix.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk management

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

Management of the Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration of refinancing, renewal of existing position, alternative financing and hedging. Based on these scenarios, management of the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group's cash flow interest rate risk mainly concentrates on the Group's RMB denominated borrowings, which will be impacted by the fluctuation of benchmark interest rate published by the PRC government.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, management of the Group will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below, which includes interest rate exposure on variable interest-bearing liabilities and deposits, has been determined based on the exposure to interest rates for all non-derivative instruments at the end of the reporting date. For non-bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points increase or decrease is used, which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables held constant, the Group's loss for the year ended 31 December 2019 would increase/decrease by approximately HK$5,884,000 (2018: loss for the year would increase/decrease by approximately HK$7,979,000).

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values measurement

(i) Financial instruments carried at fair value

Financial instruments measured at fair value at the end of each reporting period are valued across the three levels of the fair value hierarchy defined in HKFRS 7 Financial Instruments: Disclosures, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which no significant input is based on observable market data

At 31 December 2019 and 2018, there were no financial instruments carried at any level of the fair value hierarchy.

(ii) Fair value of financial instruments that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities not measured at fair value recognized in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital risk 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 equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may raise new debts, adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debts.

Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total net borrowings divided by total equity.

Management considers the gearing ratio at the end of reporting period as follows:

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Borrowings, net of cash and cash equivalents	**865,339**	899,110
Convertible notes	**373,102**	22,260
Promissory note	**357,385**	–
Total net borrowings	**1,595,826**	921,370
Equity attributable to owners of the Company	**1,160,556**	1,261,363
Total net borrowings to equity attributable to owners of the Company ratio	**1.38**	0.73

The increase in the gearing ratio during the year resulted primarily from the increase in convertible notes and promissory note.

6. SEGMENT INFORMATION

The accounting policies of the operating segments are the same as the Group's accounting policies in the preparation of the Group's consolidated financial statements.

The Group's operating segments are identified based on the components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. Specifically, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions, which is the same information reported to the chief operating decision maker.

The Group's operating segments are as follows:

– Property Development Business Segment, which engages in development of property projects in the PRC

– Property Investment Business Segment, which engages in leasing of investment properties in the PRC

– Hotel Business Segment, which engages in operation of a hotel in the PRC

– Property Management Business Segment, which engages in provision of property management and other services in the PRC

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments.

For the year ended 31 December 2019

	Property Development Business *HK$'000*	Property Investment Business *HK$'000*	Hotel Business *HK$'000*	Property Management Business *HK$'000*	Total *HK$'000*
TOTAL REVENUE AND EXTERNAL SALES	11,967	35,970	23,335	29,835	101,107
RESULT					
Segment operating results	(16,455)	11,279	786	10,545	6,155
Fair value gain in respect of investment properties revaluation	–	2,085	–	–	2,085
Share of result of a joint venture					731
Unallocated corporate income					19,640
Unallocated corporate expenses					(26,845)
Finance costs					(141,923)
Loss before tax					(140,157)
Income tax expenses					(38,082)
Loss for the year					(178,239)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 December 2018

	Property Development Business *HK$'000*	Property Investment Business *HK$'000*	Hotel Business *HK$'000*	Property Management Business *HK$'000*	Total *HK$'000*
TOTAL REVENUE AND EXTERNAL SALES	191,940	39,569	34,050	28,034	293,593
RESULT					
Segment operating results	(17,549)	29,613	(20,520)	13,195	4,739
Fair value loss in respect of investment properties revaluation	–	(28,863)	–	–	(28,863)
Gain on disposal of subsidiaries					7,644
Share of result of a joint venture					(1,331)
Unallocated corporate income					16,323
Unallocated corporate expenses					(27,805)
Finance costs					(138,824)
Loss before tax					(168,117)
Income tax expenses					(8,233)
Loss for the year					(176,350)

Segment profit represents the profit earned by each segment without allocation of finance costs and central administration costs including staff costs, directors' emoluments and other expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Property Development Business		Property Investment Business		Hotel Business		Property Management Business		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS										
Goodwill	**35,605**	48,605	**191,598**	–	**-**	–	**-**	–	**227,203**	48,605
Inventory of properties	**385,146**	393,484	**-**	–	**-**	–	**-**	–	**385,146**	393,484
Investment properties	**-**	–	**2,588,764**	1,988,636	**-**	–	**-**	–	**2,588,764**	1,988,636
Property, plant and equipment	**305**	1,029	**498**	175	**92**	102	**87**	95	**982**	1,401
Other assets	**140,889**	207,160	**244,436**	26,418	**28,557**	5,295	**5,904**	3,345	**419,786**	242,218
Segment assets	**561,945**	650,278	**3,025,296**	2,015,229	**28,649**	5,397	**5,991**	3,440	**3,621,881**	2,674,344
Unallocated corporate assets									**50,759**	193,491
Consolidated assets									**3,672,640**	2,867,835
LIABILITIES										
Segment liabilities	**359,055**	579,394	**1,087,441**	265,651	**157,844**	132,759	**10,373**	14,762	**1,614,713**	992,566
Unallocated corporate liabilities									**903,105**	613,906
Consolidated liabilities									**2,517,818**	1,606,472
OTHER INFORMATION										
Additions to property, plant and equipment	**-**	260	**-**	7	**6**	143	**19**	25	**25**	435
Depreciation and amortisation	**307**	834	**49**	49	**15**	8,871	**26**	29	**397**	9,783
Additions to investment properties	**-**	–	**8,998**	37,197	**-**	–	**-**	–	**8,998**	37,197

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

- all assets, other than bank balances and cash which are used for corporate financing and other financial assets, are allocated to operating segments. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities, other than convertible notes and other financial liabilities, are allocated to operating segments. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

6. SEGMENT INFORMATION (continued)

Geographical information

The Group operates in two principal geographical areas – Hong Kong and the PRC.

The Group's revenue from external customers by location of operations from operations and information about its non-current assets by location of assets are detailed as below:

	Revenue from external customers		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**4,681**	293
The PRC	**101,107**	293,593	**2,860,605**	2,041,011
	101,107	293,593	**2,865,286**	2,041,304

Information of major customers

Revenues from external customers are attributed to regions on the basis of the customers' location. The Group has no customer (2018: Nil) which contributed more than 10% of the revenue of the Group.

7. REVENUE AND OTHER OPERATING INCOME

An analysis of revenue and other operating income is as follows:

		2019	2018
		HK$'000	HK$'000
(a)	Revenue from contracts with customers		
	Sales of properties	11,967	191,940
	Property management income	29,835	28,034
	Hotel operation income	23,335	34,050
		65,137	254,024
	Rental income from property investment business	35,970	39,569
		101,107	293,593
	Timing of revenue recognition:		
	Recognised at a point in time	35,302	225,990
	Recognised over time	29,835	28,034
		65,137	254,024
(b)	Other operating income		
	Interest income	10,169	10,066
	Compensation for compulsory land acquisition (note)	–	22,885
	Net foreign exchange gain	19,665	15,651
	Sundry income	1,613	902
	Total other operating income	31,447	49,504

note:

An indirectly wholly owned subsidiary of the Company, Water Property Hubei Group Limited* entered into the Land Resumption Agreement (the "Resumption Agreement") with the Government of Wuhan on 10 May 2018. Under the Resumption Agreement, as for the third phase of Wuhan metro Line 8, land resumption was required for the works projects. The portions of land held by the Water Property Hubei Group Limited were adversely affected by the actions of the Government and the amount of compensation of approximately HK$22,885,000 in respect of the land resumption was made for the year ended 31 December 2018.

7. REVENUE AND OTHER OPERATING INCOME (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	2019	2018
	HK$'000	*HK$'000*
Segment revenue		
Sales of properties		
Commercial properties	**–**	119,278
Residential properties	**11,967**	72,662
Hotel services	**23,335**	34,050
Provision of property management services	**29,835**	28,034
Revenue from contracts with customers	**65,137**	254,024
Rental income from property investment business	**35,970**	39,569
Total revenue	**101,107**	293,593

Performance obligation for contracts with customers

a) Property development – sales of properties

Sales of properties of the Group includes sales of residential and commercial properties which were self-developed by the Group in prior years.

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specification with no alternative use.

Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives a fixed amount of the contract value as deposits from customers when they sign the sale and purchase agreement. Such deposits would be recognized to sales of properties when the contract value has been fully paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. REVENUE AND OTHER OPERATING INCOME (continued)

Performance obligation for contracts with customers (continued)

b) *Hotel services*

Provision of hotel services represents rental of rooms in a leased property called “Future City Hotel” and provision of surrounding services, such as beverage and laundry services. Revenue from hotel services is recognized when the relevant services are provided.

c) *Property management services*

Revenue from provision of property management services is recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs.

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expense on bank loans, and other borrowings wholly repayable within five years	**117,442**	135,860
Effective interest expense on convertible notes *(Note 27)*	**16,742**	2,964
Imputed interest on promissory note *(Note 28)*	**5,936**	–
Interest expense on lease liabilities *(Note 18)*	**1,803**	–
	141,923	138,824

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follow:

(a) Directors' emoluments and retirement benefits

For the year ended 31 December 2019

Name of Director	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
EXECUTIVE DIRECTORS				
Mr. Li Chao Bo *(Chairman) (note a,b)*	300	4,143	18	4,461
Mr. Ye Tianfang *(Chief Executive Officer) (note b)*	9	136	–	145
Mr. Ji Jiaming	220	463	3	686
NON-EXECUTIVE DIRECTOR				
Mr. Zhang Guiqing	120	–	–	120
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Mr. Ng Chi Ho, Dennis	120	–	–	120
Mr. Kwok Kin Wa *(note c)*	69	–	–	69
Ms. Kwong Mei Wan, Cally *(note d)*	53	–	–	53
Mr. Ji Yehong *(note c)*	43	–	–	43
Mr. Wang Jian *(note d)*	56	–	–	56
	990	4,742	21	5,753

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments and retirement benefits (continued)

For the year ended 31 December 2018

Name of Director	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
EXECUTIVE DIRECTORS				
Mr. Li Chao Bo *(Chairman and Chief Executive Officer) (note a,b)*	300	3,850	18	4,168
Ms. Wang Wenxia *(Vice Chairman and Chief Executive Officer) (note a)*	92	2,100	7	2,199
Mr. Ji Jiaming	220	2,780	18	3,018
NON-EXECUTIVE DIRECTOR				
Mr. Zhang Guiqing	120	–	–	120
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Mr. Ng Chi Ho, Dennis	120	–	–	120
Mr. Ji Yehong *(note c)*	100	–	–	100
Mr. Wang Jian *(note d)*	100	–	–	100
	1,052	8,730	43	9,825

The executive, non-executive and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Note:

(a) Ms. Wang Wenxia has resigned as vice chairman, executive director and chief executive officer of the Company and Mr. Li Chao Bo has been appointed as chief executive officer of the Company with effect from 31 May 2018.

(b) Mr. Li Chao Bo has resigned as chief executive officer of the Company and Mr. Ye Tianfang has been appointed as executive director and chief executive officer of the Company with effect from 17 December 2019.

(c) Mr. Ji Yehong has resigned as an independent non-executive director of the Company and Mr. Kwok Kin Wa has been appointed as independent non-executive director of the Company with effect from 4 June 2019.

(d) Mr. Wang Jian has resigned as an independent non-executive director of the Company and Ms. Kwong Mei Wan, Cally has been appointed as independent non-executive director of the Company with effect from 22 July 2019.

(b) Directors' termination benefits

During the year ended 31 December 2019, no termination benefits were paid to the directors (2018: Nil).

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, no consideration was paid for making available the services of the directors of the Company (2018: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2019, there was no loans, quasi-loans or other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors (2018: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

(f) Five highest paid employees

The five highest paid individuals for the year ended 31 December 2019 included two (2018: three) directors of the Company. The emoluments of the remaining three (2018: two) individuals are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries and other benefits	**1,681**	2,689
Retirement benefit schemes contributions	**54**	18
	1,735	2,707

Their emoluments were within the following bands:

	2019	2018
	HK$'000	*HK$'000*
HK$Nil to HK$1,000,000	**3**	1
HK$1,500,001 to HK$2,000,000	**–**	1
	3	2

(g) During the year, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
The tax expenses (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**842**	1,395
Land Appreciation Tax ("LAT") in the PRC	**1,670**	14,340
Current tax expenses for the year	**2,512**	15,735
Deferred tax expense (credit) for the year *(Note 31)*	**35,570**	(7,502)
	38,082	8,233

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong.

The Group's PRC EIT is calculated based on the applicable tax rates on assessable profits, if applicable. PRC LAT is levied at the applicable tax rate on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

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10. INCOME TAX EXPENSE (continued)

The tax expenses for the year can be reconciled to the loss before tax from continuing operations per the consolidated statement of profit or loss as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss before tax	**(140,157)**	(168,117)
Tax at PRC EIT rate of 25% (2018: 25%)	**(35,039)**	(42,029)
Tax effect of expenses not deductible for tax purposes	**61,159**	67,575
Tax effect of income not taxable for tax purposes	**(29,588)**	(37,197)
Tax effect on temporary difference not recognised	**35,570**	(7,502)
Effect of different tax rates of subsidiaries operating in Hong Kong	**4,310**	13,046
LAT	**1,670**	14,340
Tax expenses for the year	**38,082**	8,233

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11. LOSS FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Cost of inventory of properties sold	**4,535**	116,812
Staff costs, including directors' emoluments	**32,359**	35,879
Retirement benefits scheme contributions, including contributions for directors	**1,957**	2,048
Total staff costs	**34,316**	37,927
Auditors' remuneration	**1,120**	1,070
Depreciation of property, plant and equipment	**743**	10,342
Depreciation of right-of-use assets	**14,117**	–
Impairment loss of goodwill*	**13,000**	31,000
Operating lease rental expenses in respect of rented premises	**–**	28,757

	2019	2018
	HK$'000	*HK$'000*
Gross rental income from investment properties	**(35,970)**	(39,569)
Less: Direct operating expenses from investment properties that generated rental income during the year	**5,736**	6,187
	(30,234)	(33,382)

* Those expenses for the year are included in "other operating expenses".

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12. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 December 2019 and 2018.

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to the owners of the Company of approximately HK$175,938,000 (2018: approximately HK$174,883,000) and on the weighted average number of ordinary shares of 3,105,845,666 (2018: 3,082,278,542 shares) deemed to be in issue during the year.

For the years ended 31 December 2019 and 2018, the computation of diluted loss per share has not taken into account the conversion of the Company's outstanding convertible notes and share options since their exercise would result in a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvement of hotel operation *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
COST						
At 31 December 2017 and 1 January 2018	297	10,597	18,239	62,609	–	91,742
Additions	–	467	–	–	–	467
Write-off	–	(348)	–	–	–	(348)
Derecognised on disposal of subsidiaries	–	(1,915)	(9,271)	–	–	(11,186)
Exchange difference	–	(560)	(760)	(3,557)	–	(4,877)
At 31 December 2018 and 1 January 2019	297	8,241	8,208	59,052	–	75,798
Additions	–	33	–	–	3,240	3,273
Disposal	–	(1)	–	–	–	(1)
Exchange difference	–	(83)	(52)	(664)	(36)	(835)
At 31 December 2019	**297**	**8,190**	**8,156**	**58,388**	**3,204**	**78,235**
DEPRECIATION AND IMPAIRMENT						
At 31 December 2017 and 1 January 2018	297	7,399	11,405	54,410	–	73,511
Provided for the year	–	1,125	1,116	8,101	–	10,342
Write-off	–	(348)	–	–	–	(348)
Derecongised on disposal of subsidiaries	–	(945)	(4,291)	–	–	(5,236)
Exchange difference	–	(448)	(488)	(3,459)	–	(4,395)
At 31 December 2018 and 1 January 2019	297	6,783	7,742	59,052	–	73,874
Provided for the year	–	595	148	–	–	743
Eliminated on disposal	–	(1)	–	–	–	(1)
Exchange difference	–	(79)	(43)	(664)	–	(786)
At 31 December 2019	**297**	**7,298**	**7,847**	**58,388**	–	**73,830**
CARRYING AMOUNTS						
At 31 December 2019	–	**892**	**309**	**–**	**3,204**	**4,405**
At 31 December 2018	–	1,458	466	–	–	1,924

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rate per annum:

Machinery and equipment	8%-10%
Furniture and fixtures	16%-20%
Motor vehicles	20%-30%
Leasehold improvements for hotel operation	14%

15. INVESTMENT PROPERTIES

	Investment properties in the PRC *HK$'000*
At fair value	
At 31 December 2017 and 1 January 2018	2,100,000
Addition	37,197
Fair value change recognised in profit or loss	(28,863)
Exchange difference	(119,698)
At 31 December 2018 and 1 January 2019	1,988,636
Addition on acquisition of subsidiaries *(Note 33)*	797,727
Addition	8,998
Disposal under a mandatory auction *(note)*	(179,325)
Fair value change recognised in profit or loss	2,085
Exchange difference	(29,357)
At 31 December 2019	2,588,764

Note: Approximately 18,565.43 sq.m. was disposed of under a mandatory auction ordered by Hangzhou Intermediate People's Court in July 2019. The directors considered that there is no material impact on the Group's overall operation and the consolidated statement of profit or loss arising from the disposal.

The Group's investment properties are held under medium term leases and are situated in the PRC.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

Details of the pledged investment properties at 31 December 2019 and 2018 are set out in Note 35.

15. INVESTMENT PROPERTIES (continued)

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties at 31 December 2019 and 2018 has been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision Appraisals Limited and AP Appraisal Limited, independent qualified professional valuers not connected to the Group, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The valuation of investment properties in Wuhan (Future City Shopping Centre) and Hangzhou were arrived at with the adoption of a combination of direct comparison method and investment method by Peak Vision Appraisals Limited. Direct comparison method assumes the property is capable of being sold in its existing state with the benefit of immediate vacant possession and makes reference to comparable sales evidence as available in the relevant markets. Investment method takes into account the current rents passing and the reversionary income potential of the property. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The valuation of investment properties in Longgang were arrived at with the adoption of a market approach – the comparable transactions method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value by AP Appraisal Limited. The comparable transactions method is based on prices realized in actual transactions and/or asking prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

Details of the Group's investment properties and information about the fair value hierarchy at 31 December 2019 and 2018 are as follows:

	Level 1	**Level 2**	**Level 3**	**Fair value at 31 December 2019**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Investment properties in the PRC	**–**	**–**	**2,588,764**	**2,588,764**

	Level 1	Level 2	Level 3	Fair value at 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties in the PRC	–	–	1,988,636	1,988,636

There were no transfer into or out of Level 3 during the year.

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15. INVESTMENT PROPERTIES (continued)

Fair value measurement of the Group's investment properties (continued)

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used).

2019

Investment Properties held by the Group	Valuation technique(s)	Significant unobservable inputs	Relation of unobservable inputs to fair value
Future City Shopping Centre in Wuhan	Combination of direct comparison method and investment method	(1) Reversionary yield: 5%	An increase in the reversionary yield would result in a decrease in fair value.
		(2) Estimated market rental unit rate per square metre/month RMB: 183 to 300	An increase in the market rental unit rate would result in an increase in fair value.
Commercial part of Mei Lai International Centre in Hangzhou	Combination of direct comparison method and investment method	(1) Reversionary yield: 5%	An increase in the reversionary yield would result in a decrease in fair value.
		(2) Estimated market rental unit rate per square metre/month RMB: 117 to 220	An increase in the market rental unit rate would result in an increase in fair value.
Longgang Properties in Shenzhen	Comparable transactions method	(1) Estimated market unit sales price per square metre RMB: 11,900 to 49,000	An increase in the market unit sales price would result in an increase in the fair value.

15. INVESTMENT PROPERTIES (continued)

Fair value measurement of the Group's investment properties (continued)

2018

Investment Properties held by the Group	Valuation technique(s)	Significant unobservable inputs	Relation of unobservable inputs to fair value
Future City Shopping Centre in Wuhan	Combination of direct comparison method and investment method	(1) Reversionary yield: 5%	An increase in the reversionary yield would result in a decrease in fair value.
		(2) Estimated market rental unit rate per square metre/month RMB: 214 to 217	An increase in the market rental unit rate would result in an increase in fair value.
Commercial part of Mei Lai International Centre in Hangzhou	Combination of direct comparison method and investment method	(1) Reversionary yield: 5%	An increase in the reversionary yield would result in a decrease in fair value.
		(2) Estimated market rental unit rate per square metre/month RMB: 120 to 172	An increase in the market rental unit rate would result in an increase in fair value.

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16. GOODWILL

	2019	2018
	HK$'000	*HK$'000*
Cost		
At beginning of the year	**174,605**	174,605
Recognised on acquisition of subsidiaries *(Note 33)*	**191,598**	–
At end of the year	**366,203**	174,605
Impairment		
At beginning of the year	**126,000**	95,000
Impairment loss recognised in the year	**13,000**	31,000
At end of the year	**139,000**	126,000
Carrying amounts		
At end of the year	**227,203**	48,605

Impairment testing on Goodwill

Goodwill is assessed for impairment annually irrespective of whether there is any indication of impairment.

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units ("CGUs"). At the end of the reporting period, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of:

	2019	2018
	HK$'000	*HK$'000*
Property Development CGU	**35,605**	48,605
Property Investment CGU	**191,598**	–
	227,203	48,605

For the purpose of impairment testing, the recoverable amounts of the CGUs are determined by value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow projections covering periods until the expiry of the relevant operation period. The cash flow projections for the first five years are based on financial budgets approved by management.

16. GOODWILL (continued)

Property development CGU

The recoverable amount of property development have been determined based on a value-in-use calculation represented by management based on cash flow projections. These cash flows projections for 5-year period are made based on budget plan of the assessed entity and assuming that selling price is similar to comparable market price of neighbour properties. The discount rate applied to the cash flow projections are based on the weighted average cost of capital, which is 13.13% (2018: 13.52%). The cash flow projections during the budget period are based on the expected gross margin of 18% (2018: 15%). Based on these projections, the recoverable amount of this CGU will be less than the carrying amount of CGU, and accordingly the Group recognised an impairment loss of HK$13,000,000 for the goodwill during the year ended 31 December 2019, which was included in the other operating expense in the consolidated statement of profit or loss.

Property investment CGU

The goodwill was arising from the acquisition of entire interest of Precious Palace Enterprises Limited in July 2019.

The recoverable amount of property investment have been determined based on a value-in-use calculation represented by management based on cash flow projections. These cash flows projections for 5-year period are made based on property redevelopment plan and budget of the assessed entity and assuming that selling price is similar to comparable market price of neighbour properties. The discount rate applied to the cash flow projections are based on the weighted average cost of capital, which is 13.13%. Based on these projections, the recoverable amount of this CGU will be higher than the carrying amount of CGU, and accordingly the management of the Group determined that there is no impairment of goodwill for the year ended 31 December 2019.

17. INTEREST IN A JOINT VENTURE

	2019	2018
	HK$'000	*HK$'000*
Unlisted cost of investments in a joint venture	**3,658**	3,658
Share of post-acquisition profits and other comprehensive income	**(600)**	(1,331)
Exchange adjustments	**(221)**	(188)
	2,837	2,139

As at 31 December 2019, particulars of the joint venture were as follows:

Name of joint venture	Form of business structure	Country of incorporation and principal place of operation	Percentage of ownership interest and voting rights	Principal activity
Citic Zheng Ye Assets Management Company Limited* ("Citic Zheng Ye")	Incorporated	PRC	24% (2018: 24%)	Assets Management

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17. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information for the joint venture

Set out below are summarised financial information for Citic Zheng Ye, extracted from its management accounts for the year ended 31 December 2019 and 31 December 2018:

	2019	2018
	HK'000	*HK'000*
Non-current assets	**14**	70
Current assets	**13,362**	9,167
Non-current liabilities	**–**	–
Current liabilities	**(1,554)**	(325)
Revenue	**6,427**	–
Profit (loss) for the year	**3,044**	(5,544)

Reconciliation of the above summarized financial information to the carrying amount of the investment in a joint venture recognized in the consolidated financial statements:

	2019	2018
	HK'000	*HK'000*
Equity attributable to the owners of Citic Zheng Ye	**11,822**	8,912
Proportion of the Group's ownership interests	**24%**	24%
Carrying amount of the Group's investments in Citic Zheng Ye	**2,837**	2,139

Reference is made to the announcement of the Company dated on 19 April 2018, in which a subsidiary of the Group entered into the Cooperation Agreement with independent third parties in relation to set up Citic Zheng Ye, a joint venture private equity fund management company in the PRC. The Group is committed to contribute RMB12,000,000 (equivalent to approximately HK$15,000,000), representing 24% of the equity interests of Citic Zheng Ye. As at 31 December 2019, the amount of approximately RMB3,000,000 (equivalent to approximately HK$3,700,000) was paid. The remaining balance will be settled before 1 May 2048.

18. LEASES

(a) Right-of-use assets

	Leasehold land HK$'000 (note)	Leased properties HK$'000	Total HK$'000
COST			
As at 1 January 2019	–	–	–
Addition as change in accounting standard	–	40,875	40,875
Addition	15,744	–	15,744
Exchange difference	(177)	(373)	(550)
As at 31 December 2019	15,567	40,502	56,069
ACCUMULATED DEPRECIATION			
As at 1 January 2019	–	–	–
Provided for the year	289	13,828	14,117
Exchange difference	(4)	(121)	(125)
As at 31 December 2019	285	13,707	13,992
NET CARRYING VALUE			
As at 31 December 2019	15,282	26,795	42,077

Note:

The leasehold land with remaining lease term of 49 years.

(b) Lease liabilities

	31 December 2019 ***HK$'000***
Lease liabilities payable:	
Within one year	**13,765**
Within a period of more than one year but not more than two years	**11,100**
Within a period of more than two years but not more than five years	**2,637**
	27,502
Less: Amount due for settlement with 12 months shown under current liabilities	**(13,765)**
Amount due for settlement after 12 months shown under non-current liabilities	**13,737**

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19. INVENTORIES

	2019 HK$'000	2018 HK$'000
Consumables and spare parts	**92**	136
	92	136

None of the inventories of the Group was carried at net realisable value at the end of the reporting period.

20. INVENTORY OF PROPERTIES

	2019 HK$'000	2018 HK$'000
At beginning of the year	**393,484**	1,285,390
Construction costs incurred	**–**	93,443
Recognition as cost of sales	**(4,535)**	(116,812)
Derecognised on disposal of subsidiaries *(Note 33)*	**–**	(776,476)
Exchange difference	**(3,803)**	(92,061)
At end of the year	**385,146**	393,484

	2019 HK$'000	2018 HK$'000
Properties under development	**–**	–
Properties held for sale	**385,146**	393,484
	385,146	393,484

The inventory of properties are located in the PRC.

Details of the pledged inventory of properties at 31 December 2019 and 2018 are set out in Note 35.

21. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables		
– contracts with customers	**9,787**	26,713
– property investment business	**14,263**	16,246
	24,050	42,959
Prepayments and deposits *(note a)*	**42,616**	42,885
Other receivables *(note b)*	**334,299**	297,087
	400,965	382,931

notes:

(a) Included in prepayments and deposits are amounts of approximately HK$8,555,000 (2018: approximately HK$9,431,000) for the repair and maintenance deposit deposited with the government and amounts of approximately HK$8,270,000 (2018: approximately HK$7,155,000) for utility deposits. The remaining balance represents the prepayment for construction work and other prepaid expenses.

(b) Included in other receivables are receivables from a property agent related to property development business of approximately HK$4,431,000 (2018: HK$31,710,000). The other receivables also include approximately HK$294,224,000 (2018: approximately HK$119,801,000), being other loan receivables due from independent third parties bearing interest ranging from 6% to 9% (2018: 7% to 9%) per annum in which, the amount of approximately RMB175,010,000 equivalent to HK$196,640,000 was lent to a PRC company which the legal representative is same as a subsidiary of the Group and secured by the promissory note issued by the Company. Moreover, the amount of loan receivable approximately HK$88,571,000 was guaranteed by other third parties. Furthermore, amount due from Hangzhon Pu Tian Property Development Company Limited ("Pu Tian") amounted to HK$ nil (2018: HK$98,677,000), the disposed subsidiary is included in the other receivables.

As at 1 January 2018. trade receivables from contracts with customers amounted to approximately HK$33,717,000.

An aging analysis of trade receivables (net of allowance for credit losses) based on invoice dates at the end of the reporting period is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**24,050**	42,446
91 to 180 days	**–**	144
Over 180 days	**–**	369
	24,050	42,959

21. TRADE AND OTHER RECEIVABLES (continued)

The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 1-3 months from the issuance of invoices to customers.

The following table shows the amounts of receivable which are past due but not impaired as the balances related to debtors with sound repayment history and there has not been a significant change in credit quality and the amounts are still considered recoverable.

An aging analysis of trade receivables past due but not impaired is as follows:

	2019	2018
	HK$'000	*HK$'000*
Overdue by:		
1-30 days	**–**	–
31-60 days	**–**	–
61-180 days	**–**	144
Over 180 days	**–**	369
	–	513

Details of impairment assessment of trade and other receivables for the year ended 31 December 2019 are set out in note 5.

22. BANK BALANCES AND CASH

	2019 HK$'000	2018 HK$'000
Bank balances and cash	**21,151**	49,980

These bank balances carry interest at market rates which range from 0.01% to 0.3% (2018: 0.01% to 0.3%) per annum.

23. TRADE AND OTHER PAYABLES

The following is an aging analysis of the Group's trade payables based on the invoice dates at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Within 90 days	**4,020**	2,645
91 to 180 days	**182**	372
Over 180 days	**41,564**	40,857
Trade payables	**45,766**	43,874
Interest payables	**56,842**	57,320
Accrued expenses and other tax payables	**8,928**	7,563
Consideration payables *(note a)*	**2,515**	4,860
Other payables *(note b)*	**55,183**	79,237
	169,234	192,854

Trade payables principally comprise amounts outstanding for purchase of hotel consumables, construction materials and construction work of properties under development and investment properties.

The average credit period of trade payables is three to six months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amounts of trade and other payables approximate their fair value.

notes:

(a) The consideration payable represents the amount payable for acquisition of additional interests in subsidiaries.

(b) The other payables included approximately HK$2,417,000 (2018: approximately HK$4,090,000) of deposits received from contractors for construction work and approximately HK$6,913,000 (2018: approximately HK$14,569,000) of deposit received from tenants.

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24. CONTRACT LIABILITIES

The following is an analysis of the Group's contract liabilities:

	2019	2018
	HK$'000	*HK$'000*
Deposits received for sale of properties	**158,495**	122,908
Current	**158,495**	122,908
Non-current	**–**	–
	158,495	122,908

As at 1 January 2018, contract liabilities amounted to HK$175,668,000.

	2019	2018
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	**10,603**	68,724

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements. The portions received on or before the date of delivery of the properties to customers are recorded as contract liabilities. The remaining balances are normally settled within 1-3 months from date of delivery of the properties to the customers.

25. DEPOSITS RECEIVED FOR LEASE OF PROPERTIES

The amounts which are expected to be realised within twelve months after the reporting date are classified under current liabilities as they are within the Group's normal operating cycle.

	2019	2018
	HK$'000	*HK$'000*
Deposits received for lease of investment properties	**11,780**	12,852
Less: Amounts shown under current liabilities	**–**	–
Amounts shown under non-current liabilities	**11,780**	12,852

26. BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Bank loans	**501,666**	416,925
Other loans	**384,824**	532,165
	886,490	949,090
Analysed as:		
Secured	**558,852**	518,173
Unsecured	**327,638**	430,917
	886,490	949,090
Carrying amounts represent repayable		
On demand or within one year	**274,414**	333,502
After one year, but not exceeding two years	**454,773**	439,431
After two years, but not more than five years	**50,561**	62,500
After five years	**106,742**	113,657
	886,490	949,090
Less: Amounts due on demand or within one year shown under current liabilities	**(274,414)**	(333,502)
	612,076	615,588

Included in the Borrowings are fixed rate borrowings as follows:

	2019	2018
	HK$'000	*HK$'000*
Fixed rate borrowings repayable:		
– Within one year	**102,752**	294,556
– More than one year, but not exceeding two years	**16,854**	261,827
– More than two years, but not exceeding five years	**50,561**	–
– More than five years	**106,742**	–
	276,909	556,383

Bank loans and other loans carry interest at the prevailing market rates or fixed rates. Fixed rate borrowings carry interest at rates ranging from 7.5% to 22% (2018: 5% to 24%) per annum, while the variable rate borrowings carry interest at rates ranging from 5.46% to 6.37% (2018: 5.46% to 6.37%) per annum.

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26. BORROWINGS (continued)

The directors consider that the carrying amounts of borrowings approximate their fair value.

The Group's borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2019	2018
	HK$'000	*HK$'000*
Currency – RMB	**886,490**	949,090

27. CONVERTIBLE NOTES

Convertible notes due on 28 June 2019

On 28 June 2016, the Company issued convertible notes with an aggregate principal amount of HK$73,000,000 ("2019 Notes"), due on 28 June 2019 and bearing interest at 5% per annum payable annually in arrears. The 2019 Notes were issued to China Financial International Investments Limited ("CFIIL"), one of the substantial shareholders of the Company. The 2019 Notes are convertible into fully paid ordinary shares with a par value of HK$0.1 each of the Company at an initial conversion price of HK$0.50, subject to adjustment. The proceeds have been fully utilized in repayment of debts of the Group.

On 30 June 2017, part of the convertible notes due on 28 June 2019 with principal amount of HK$50,000,000 was converted into 100,000,000 ordinary shares at the conversion price of HK$0.5 each.

On 28 June 2019, the remaining part of the convertible notes due on 28 June 2019 with principal amount of HK$23,000,000 was converted into 46,000,000 ordinary shares at the conversion price of HK$0.5 each.

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27. CONVERTIBLE NOTES (continued)

Convertible notes due on 19 July 2022

On 19 July 2019, the Company issued convertible notes with an aggregate principal amount of HK$431,500,000 ("2022 Notes"), due on 19 July 2022 and bearing interest at 3% per annum payable annually. The 2022 Notes were issued to Sky Climber Development Limited ("SCDL"), the vendor of the entire issued share capital of Precious Palace Enterprises Limited, a subsidiary of the Group. The 2022 Notes are convertible into fully paid ordinary shares with a par value of HK$0.1 each of the Company at an initial conversion price of HK$0.50, subject to adjustment.

On initial recognition, the equity component of the convertible loan notes was separated from the liability component. The equity element is presented in equity as convertible notes equity reserve.

The carrying amount of the liability component of the convertible notes at 31 December 2019 and 31 December 2018 amounted to approximately HK$373,102,000 and HK$22,260,000 respectively.

Upon the full conversion of the outstanding 2022 Notes at the conversion price of HK$0.50 per conversion share, the outstanding 2022 Notes would be converted into 863,000,000 shares, representing approximately 27.59% of the existing issued share capital of the Company as at the date of the annual report and approximately 21.62% of the share capital of the Company as enlarged by the allotment and issue of the conversion shares. The shareholding of the substantial shareholders of the Company, namely Mr. Li Chao Bo and CFIIL, would be decreased from 23.62% to 18.52% and decreased from 22.32% to 17.49% respectively.

The diluted loss per share for the year ended 31 December 2019 assuming all outstanding 2022 Notes being converted was HK$4.12 cents and is calculated by dividing the loss attribute to the shareholders of the Company by the total number of shares after all outstanding 2022 Notes being converted. The calculation method of this diluted loss is not the same as those used in this annual report. According to Hong Kong Accounting Standard 33 paragraphs 43, potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share. The calculation of diluted loss per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on loss per share. The conversion of 2022 Notes would have an anti-dilutive effect on loss per share and therefore the calculation of diluted loss per share in this annual report does not assume such conversion.

On the maturity date, any of the 2022 Notes not converted or redeemed during the tenure will be redeemed at 100% of its principal amount and accrued interest. The Board has given consideration to the financial and liquidity position of the Company and believes that the Company has adequate resources, including but not limited to the cash inflows from future sales of properties and fund raising activities, to meet its redemption obligations under the 2022 Notes.

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27. CONVERTIBLE NOTES (continued)

Based on the implied internal rate of returns of the 2022 Notes, the Company's share prices as at 31 December 2019 would be equally financially advantageous for the securities holders to convert or redeem the convertible securities were HK$0.52 per share.

The effective interest rate of 2019 Notes and 2022 Notes are 14.97% and 9.19% per annum, respectively. The movements of the liability component of 2019 Notes and 2022 Notes for the year are set out below:

Carrying amount of liability components of 2019 Notes and 2022 Notes

	Total
	HK$'000
At 31 December 2017 and 1 January 2018	20,446
Interest charged *(note 8)*	2,964
Interest paid	(1,150)
At 31 December 2018 and 1 January 2019	22,260
2022 Notes liability component on initial recognition on 19 July 2019 *(note 33)*	364,137
Converted into ordinary shares	(23,000)
Interest charged *(note 8)*	16,742
Interest paid/payable	(7,037)
At 31 December 2019	373,102

	2019	2018
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**–**	22,260
Non-current liabilities	**373,102**	–
	373,102	22,260

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28. PROMISSORY NOTE

	2019	2018
	HK$'000	*HK$'000*
At beginning of the year	**–**	–
Issued at fair value *(note 33)*	**356,409**	–
Interest charged *(note 8)*	**5,936**	–
Interest payable	**(4,960)**	–
	357,385	–

The promissory note was issued by the Company in connection with the acquisition of the entire issued share capital of Precious Palace Enterprises Limited ("Precious Palace") on 19 July 2019. The promissory note represented part of the consideration for the acquisition.

29. SHARE CAPITAL

	Number of ordinary shares	**Amount**
	HK$0.1 each	*HK$'000*
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 1 January 2019	3,082,278,542	308,228
Issue of shares by conversion of convertible notes *(note a)*	46,000,000	4,600
At 31 December 2019	3,128,278,542	312,828

note a: On 28 June 2019, the convertible notes due on 28 June 2019 with principal amount of HK$23,000,000 was converted into 46,000,000 ordinary shares at the conversion price of HK$0.5 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 June 2003 for the primary purpose of providing incentives to encourage its participants to perform their best in achieving the goals of the Company and enjoy its result. The participants are any director and eligible employee of the Group; any entity in which any member of the Group holds any equity interest (the "Invested Entity"); any supplier of goods or services and customers to any member of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; any adviser or consultant to any area of business or business development of any member of the Group or any Invested Entity; any shareholders of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, as absolutely determined by the board.

The maximum number of securities which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the Scheme of the Group must not in aggregate exceed 10% of the shares in issue on 25 June 2003, being the date on which the Company's shares were listed on the Stock Exchange. For the purpose of calculating the above, options lapsed in accordance with the Scheme shall not be counted.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The period within which the shares must be taken up under an option of the Scheme shall not be later than 10 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. HK$1 is payable on acceptance of the options within 21 days from the date of grant. The subscription price is the highest of (i) the closing price of the shares quoted in the Stock exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant which must be a business day; (ii) the average closing price of the shares as quoted in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share. The Scheme is valid for 10 years from 3 June 2003. No further options may be granted pursuant to the Scheme after 2 June 2013.

The above Scheme expired during year ended 31 December 2013 and was replaced by a new share option scheme ("2013 Option Scheme") which carries the same terms as the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30. SHARE OPTION SCHEME (continued)

On 18 June 2013, the shareholders of the Company at the annual general meeting approved the adoption of the 2013 Option Scheme and the termination of the Scheme which was adopted by the Company on 3 June 2003. The 2013 Option Scheme will expire on 17 June 2023. Options granted under the Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the Scheme.

The following table discloses details of the Company's share options held by directors and employee/consultants and the movements during the year ended 31 December 2019:

Category	Date of grant	Exercise price *HK$*	Exercisable period *DD/MM/YYYY*	At 1 January 2019	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2019
Directors, employees and consultants	29/05/2013	0.6400	29/05/2013 to 28/05/2023	3,700,000	–	–	–	(700,000)	3,000,000
Directors, employees and consultants	22/01/2015	0.6680	22/01/2015 to 21/01/2025	700,000	–	–	–	(700,000)	–
Employees and consultants	16/06/2015	0.8800	16/06/2015 to 15/06/2025	5,000,000	–	–	–	–	5,000,000
Consultant	25/06/2015	0.9100	25/06/2015 to 24/06/2025	20,445,948	–	–	–	–	20,445,948
				29,845,948	–	–	–	(1,400,000)	28,445,948

The following table discloses details of the Company's options under the Scheme held by directors and employees/consultants and the movements during the year ended 31 December 2018:

Category	Date of grant	Exercise price *HK$*	Exercisable period *DD/MM/YYYY*	At 1 January 2018	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2018
Directors	03/11/2010	0.9602	03/11/2010 to 02/11/2020	12,795,263	–	–	–	(12,795,263)	–
Directors, employees and consultants	29/05/2013	0.6400	29/05/2013 to 28/05/2023	21,787,228	–	–	–	(18,087,228)	3,700,000
Directors, employees and consultants	22/01/2015	0.6680	22/01/2015 to 21/01/2025	54,961,684	–	–	–	(54,261,684)	700,000
Employees and consultants	16/06/2015	0.8800	16/06/2015 to 15/06/2025	5,000,000	–	–	–	–	5,000,000
Consultant	25/06/2015	0.9100	25/06/2015 to 24/06/2025	20,445,948	–	–	–	–	20,445,948
				114,990,123	–	–	–	(85,144,175)	29,845,948

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For the year ended 31 December 2019

30. SHARE OPTION SCHEME (continued)

The Group issues equity-settled share-based payments to directors, certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually be vested and adjusted for the effect of non-market-based vesting conditions. Options granted during the year 2010, 2013 and 2015 were vested at the date of grant.

The 2013 Option Scheme was adopted by way of Shareholders' resolution on 18 June 2013. Accordingly, the 2013 Option Scheme mandate limit that could be granted at the time of adoption of the Scheme was 180,872,286 shares.

On 3 June 2019, the 2013 Option Scheme mandate limit was refreshed to 308,227,854 shares (representing approximately 10% of the issued share capital of the Company as at 3 June 2019). As at 31 December 2019, the number of shares in respect of the options granted and remained outstanding under the 2013 Option Scheme was 28,445,948 (2018: 29,845,948) shares, representing approximately 0.92% (2018: 0.97%) of the issued share capital of the Company as at 3 June 2019. Under the current refreshed 2013 Option Scheme mandate limit, the share options which carry the rights to subscribe for 279,781,906 (2018: 278,381,906) shares (representing approximately 9.24% (2018: 9.03%) of issued share capital of the Company as at 3 June 2019) were available for granting by the Company as at 31 December 2019.

The fair value of the total options granted in the year measured as at 22 January 2015, 16 June 2015 and 25 June 2015 were approximately HK$38,390,000, HK$14,190,000 and HK$5,001,000 respectively. The following significant assumptions were used to derive the fair value using the Black-Scholes model with Binomial Tree method:

1. an expected volatility was 26.1540%, 26.3530% and 26.3745% respectively;

2. no annual dividend yield expected;

3. the estimated expected life of the options granted in range (10 years); and

4. the risk free rate was 1.7159%, 1.8573% and 1.8433% respectively.

The Black-Scholes model with Binomial Tree method requires the inputs of highly subjective assumptions, including the volatility of share price. As changes in subjective input assumptions can materially affect the fair value of the options, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

31. DEFERRED TAX LIABILITIES

The following are the Group's major deferred tax assets and liabilities recognised and movements thereon during the current and prior reporting periods:

	Revaluation on investment properties *HK$'000*	Revaluation gain arising from business combination *HK$'000*	Total *HK$'000*
At 31 December 2017 and 1 January 2018	236,611	109,131	345,742
Exchange difference	(13,116)	–	(13,116)
Derecognised on disposal of subsidiaries *(Note 34)*	–	(92,817)	(92,817)
Credited to the consolidated statement of profit or loss for the year *(Note 10)*	(7,216)	(286)	(7,502)
At 31 December 2018 and 1 January 2019	216,279	16,028	232,307
Exchange difference	(5,071)	–	(5,071)
Recognised on acquisition of subsidiaries *(Note 33)*	199,432	–	199,432
Credited to the consolidated statement of profit or loss for the year *(Note 10)*	35,570	–	35,570
At 31 December 2019	446,210	16,028	462,238

At 31 December 2019 and 2018, the Group had no unused tax losses available for offset against future profits and no deferred tax asset has been recognised accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. DEFERRED TAX LIABILITIES (continued)

Pursuant to the PRC Enterprise Income Tax Law, dependent upon the nationality and domicile of the foreign investors, a 5% to 10% withholding tax is levied on the dividends declared to foreign investors. The requirement has become 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 Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rates range from 5% to 10%.

At 31 December 2019, the unrecognised deferred tax liabilities were approximately HK$5,125,000 (2018: approximately HK$5,187,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the directors consider that the timing for reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries at 31 December 2019 amounted to approximately HK$51,252,000 (2018: approximately HK$51,867,000).

32. RETIREMENT BENEFITS SCHEME

When the Mandatory Provident Fund Schemes Ordinance ("MPFO") came into effect in Hong Kong on 1 December 2000, the Group established a mandatory provident fund scheme (the "MPF Scheme") for its employees in Hong Kong.

Prior to the introduction of the MPF Scheme, the Group had operated a defined contribution scheme registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") for its qualified employees in Hong Kong. The ORSO Scheme was discontinued in 2001 and the benefits of the employees were transferred to the MPF Scheme. The assets held under the ORSO Scheme, which were held separately from those of the Group, were also transferred directly to the MPF Scheme. For MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employee.

The amounts charged to the consolidated statement of profit or loss represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes less forfeiture, if any, arising from employees leaving the Group prior to completion of their qualifying service period.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits MPF Schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the end of the reporting period, there was no significant amount of forfeited contributions available to reduce future contributions.

33. ACQUISITION OF SUBSIDIARIES

On 3 January 2019, Green City Development Limited, a wholly owned subsidiary of the Company, entered into an agreement with Sky Climber Development Limited to acquire the entire equity interest of Precious Palace Enterprises Limited ("Precious Palace").

Since the acquisition was completed on 19 July 2019, Precious Palace became a wholly-owned subsidiary of the Company thereafter.

The following table summarises the recognised fair values of the assets acquired and liabilities assumed on acquisition of Precious Palace and its subsidiaries.

	HK$'000
Purchase consideration	
Fair value of the Convertible Bonds issued on completion of acquisition	
– Liability component	**364,137**
– Equity component	**67,363**
Fair value of the promissory Note issued on completion of acquisition	**356,409**
Total purchase consideration	**787,909**
Identifiable assets acquired and liabilities assumed on acquisition date	
Investment properties	**797,727**
Account receivables	**2,624**
Other receivables	**2,905**
Tax refundable	**855**
Cash and cash equivalents	**606**
Other payables	**(8,974)**
Deferred tax liabilities	**(199,432)**
Total identifiable net assets acquired	**596,311**
Goodwill	**191,598**
Total purchase consideration	**787,909**

	2019 *HK$'000*
Cash consideration	**–**
Less: cash and cash equivalents acquired of	**606**
Net cash inflow arising on the acquisition	**606**

34. DISPOSAL OF SUBSIDIARIES

On 11 October 2019, the Group entered into a sales and purchase agreement with Diamond Cosmos Limited to dispose of 30% equity interest in Northern Sea Development Limited ("Northern Sea") and its subsidiaries at a total consideration of approximately HK$100,000. The disposal was completed on 30 November 2019.

The net liabilities of Northern Sea at the date of disposal were as follow:

	2019 *HK$'000*
Property, plant and equipment	**69**
Investment properties	**333,333**
Account receivables	**853**
Other receivables	**58,755**
Prepayment	**7,211**
Inventory of property	**152,673**
Cash and bank balances	**358**
Other tax payable	**1,973**
Account payable	**(21,624)**
Other payables	**(45,641)**
Deposits received for sale & lease of properties	**(130,857)**
Borrowings	**(289,293)**
Income tax payable	**(25,231)**
Deferred tax liabilities	**(54,360)**
	(11,781)
30% of net liabilities being disposed of	**(3,534)**
Release of translation reserve	**6,444**
Release of capital reserve	**(13,567)**
	(10,657)
Less: Consideration received	**(100)**
Gain on disposal – Capital reserve	**(10,757)**

	2019 *HK$'000*
Cash consideration	**100**
Net cash inflow arising from the disposal	**100**

34. DISPOSAL OF SUBSIDIARIES (continued)

On 11 September 2018, the Group entered into a sales and purchase agreement with Chunan County Transportation Investment and Development Group Limited* to dispose of 60% equity interest in Hangzhou Pu Tian Property Development Company Limited ("Pu Tian") and its subsidiaries at a total consideration of approximately RMB43,200,000 (equivalent to approximately HK$49,655,000). The disposal was completed on 30 September 2018.

The net assets of Pu Tian at the date of disposal were as follow:

	2018 HK$'000
Property, plant and equipment	5,950
Inventory of properties	776,476
Prepayments, deposits and other receivables	31,204
Bank balances and cash	431
Trade and other payables	(61,151)
Deposits received for sale and lease of properties	(26,374)
Amounts due to group companies	(98,109)
Amounts due to shareholder's subsidiaries	(372,508)
Income tax payable	(14,899)
Deferred tax liabilities	(92,817)
	148,203
Release of translation reserve	(5,065)
Non-controlling interests	(101,127)
	42,011
Less: Consideration received	(49,655)
Gain on disposal	(7,644)

	2018 HK$'000
Cash consideration	49,655
Less: cash disposed of	(431)
Net cash inflow arising from the disposal	49,224

* *For identification purpose only.*

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35. PLEDGE OF ASSETS

At 31 December 2019, the following assets were pledged to secure general banking facilities granted to the Group:

	2019	2018
	HK$'000	*HK$'000*
Inventory of properties situated in the PRC *(note a)*	**127,286**	163,482
Investment properties situated in the PRC	**1,127,720**	671,670
	1,255,006	835,152

note:

(a) As at 31 December 2019, included in the inventory of properties are properties with carrying value of approximately HK$17,734,000 (2018: approximately HK$75,904,000) pledged which have been frozen by court due to litigations. The directors considered that the freeze of the court on the inventory of properties does not have any material impact on the Group's operation.

36. OPERATING LEASES

The Group as lessee for office and other premises

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2018
	HK$'000
Within one year	15,261
In the second to fifth year inclusive	26,857
	42,118

Operating lease payments represent rentals payable by the Group for certain of its office and premises. Leases are negotiated for a term of between two to seven years and rentals are fixed between two to seven years.

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36. OPERATING LEASES (continued)

The Group as lessor

Property rental income earned during the year was HK$35,970,000 (2018: HK$39,569,000). The properties are expected to generate rental yield of 1.39% (2018: 1.99%) per annum on an ongoing basis. All of the properties held have committed tenants within the next six years. None of the leases includes variable lease payments.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**24,975**	17,237
In the second to fifth year inclusive	**35,008**	5,542
More than five years	**2,715**	3,668
	62,698	26,447

37. CAPITAL COMMITMENTS

The Group had capital commitment contracted but not provided in the consolidated financial statement amounting to approximately RMB9,000,000, equivalent to approximately HK$10,112,000 (31 December 2018: RMB 9,000,000, equivalent to approximately HK$10,227,000).

38. CONTINGENT LIABILITIES

Contingent liabilities at the end of the reporting period are analysed as follows:

As at 31 December 2019, a subsidiary was exposed to litigations in relation to joint and several guarantees provided to certain financial institutions and independent third parties regarding loans and the interest thereon totalling approximately RMB615,000 (equivalent to approximately HK$691,000) (31 December 2018: RMB10,015,000 (equivalent to approximately HK$11,381,000)) granted to certain independent third parties. The guarantees will be released after the full repayment of the loan and interest thereon. The Group has reached an agreement with other joint guarantors and the lenders that the other joint guarantors are committed to bear the loans and the interest. Therefore, the directors consider the risk to the Company is remote and does not affect the operation of the Group. As at 31 December 2019, the Group had settled approximately RMB9,400,000 (equivalent to approximately HK$10,562,000) for the guarantees provided.

The Directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 31 December 2019 and 2018.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payables *HK$'000*	**Borrowings** *HK$'000*	**Convertible notes** *HK$'000*	**Promissory notes** *HK$'000*	**Lease liabilities** *HK$'000*	**Total** *HK$'000*
At 1 January 2019	**57,320**	**949,090**	**22,260**	**–**	**–**	**1,028,670**
Cash flows	**(82,974)**	**89,449**	**(1,150)**	**–**	**(14,917)**	**(9,592)**
Recognised on adoption of HKFRS 16	**–**	**–**	**–**	**–**	**40,875**	**40,875**
Acquisition of subsidiaries	**–**	**–**	**364,137**	**356,409**	**–**	**720,546**
Interest expenses	**117,442**	**–**	**16,742**	**5,936**	**1,803**	**141,923**
Non-cash movement						
Settled by disposal of investment properties under a mandatory auction	**(34,951)**	**(143,605)**	**–**	**–**	**–**	**(178,556)**
Settled by newly issued shares	**–**	**–**	**(23,000)**	**–**	**–**	**(23,000)**
Interest payable	**–**	**–**	**(5,887)**	**(4,960)**	**–**	**(10,847)**
Exchange differences	**5**	**(8,444)**	**–**	**–**	**(259)**	**(8,698)**
At 31 December 2019	**56,842**	**886,490**	**373,102**	**357,385**	**27,502**	**1,701,321**

	Interest payables *HK$'000*	Borrowings *HK$'000*	Amounts due to shareholder's subsidiaries *HK$'000*	Convertible notes *HK$'000*	Total *HK$'000*
At 1 January 2018	93,039	496,366	961,533	20,446	1,571,384
Cash flows	(138,107)	119,640	(282,139)	(1,150)	(301,756)
Disposal of subsidiaries	(3,669)	–	(372,508)	–	(376,177)
Reclassification	(31,504)	366,724	(335,220)	–	–
Interest expenses	135,860	–	–	2,964	138,824
Exchange differences	1,701	(33,640)	28,334	–	(3,605)
At 31 December 2018	57,320	949,090	–	22,260	1,028,670

40. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Compensation to key management personnel:

The directors of the Company considered that they are the only key management personnel of the Group and their remuneration has been set out in Note 9.

(b) Related party transactions:

Other than as disclosed elsewhere in the consolidated financial statements, the Group has no related party transactions have been entered into during the year.

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Paid-up capital/ registered capital	Percentage of issued capital/registered attributable to the Group		Proportion of voting power held		Principal activities
			2019	2018	**2019**	2018	
Directly held:							
China Water Property Investment Limited 中國水務地產投資有限公司	British Virgin Islands	USD10,000	**100%**	100%	**100%**	100%	Investment holdings
Green City Development Limited 綠色城市開發有限公司	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
Green Environmental Resources Limited 綠色環境資源有限公司	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
Top Rainbow Investment Limited	British Virgin Islands	USD50,000	**100%**	100%	**100%**	100%	Investment holdings
Indirectly held:							
China Water Property Corporate Finance Limited 中國水務地產企業財務有限公司	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
First Supreme Limited	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
Hense Investments Limited 康士投資有限公司	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
Land Silver Limited	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
First Dynasty Limited	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
Hong Kong Walter Hotel Management Group Limited 香港沃爾特酒店管理集團有限公司	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
China City Infrastructure (Hong Kong) Limited (formerly known as Hong Kong Walter Hotel Management Limited) 中國城基（香港）有限公司（前稱香港沃爾特酒店管理有限公司）	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Real Property Limited 中國水務房地產有限公司	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holdings

* *for identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Paid-up capital/ registered capital	Percentage of issued capital/registered attributable to the Group 2019	2018	Proportion of voting power held 2019	2018	Principal activities
China Water Property Land Development Limited 中國水務地產開發有限公司	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holdings
China Water Property (Hong Kong) Group Limited 中國水務地產(香港)集團有限公司	British Virgin Islands	USD1	**100%**	100%	**100%**	100%	Investment holdings
China Water Property Development Limited 中國水務地產發展有限公司	Hong Kong	HK$1	**100%**	100%	**100%**	100%	Investment holdings
Water Property Hubei Group Limited* 水務地產湖北集團有限公司	PRC	RMB200,000,000 *(note i)*	**100%**	100%	**100%**	100%	Property development
HK Mei Lai International (Canada) Limited 香港美來國際(加拿大)有限公司	Hong Kong	HK$10,000	**70%**	100%	**70%**	100%	Investment holdings
Hangzhou Niagra Real Estates Company Limited* 杭州尼加拉置業有限公司	PRC	USD14,900,000 *(note i)*	**70%**	100%	**70%**	100%	Property development and sale of properties
Hangzhou Mei Lai Commercial Corporation Management Company Limited* 杭州美萊商業企業管理有限公司	PRC	RMB30,000,000	**70%**	100%	**70%**	100%	Provision of management services
Wuhan Xingiaohui Commercial Property Management Company Limited* 武漢新潮薈商業管理有限公司	PRC	RMB10,000,000	**100%**	100%	**100%**	100%	Provision of management services
Wuhan Kaiyue Property Development Company Limited* 武漢凱越房地產開發有限公司	PRC	RMB50,000,000	**100%**	100%	**100%**	100%	Property development and sale of properties
Wuhan Future City Hotel Management Company Limited* 武漢未來城大酒店管理有限公司	PRC	RMB5,000,000	**100%**	100%	**100%**	100%	Provision of hotel operation
Wuhan Future City Technology Incubator Company Limited* 武漢未來城科技孵化器有限責任公司	PRC	RMB1,000,000	**100%**	100%	**100%**	100%	Provision of management service

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Paid-up capital/ registered capital	Percentage of issued capital/registered attributable to the Group		Proportion of voting power held		Principal activities
			2019	2018	**2019**	2018	
Wuhan Zhong Nan Automobile Parts And Accessories Company Limited* 武漢市中南汽車配件配套有限責任公司	PRC	RMB50,000,000	**100%**	100%	**100%**	100%	Property development and sale of properties
Wuhan Future City Property Management Company Limited* 武漢未來城物業管理有限公司	PRC	RMB500,000	**100%**	100%	**100%**	100%	Provision of management services
China Infrastructure Investments Company Limited 中國基礎設施投資有限公司	Hong Kong	HK$1	**100%**	100%	**100%**	100%	Investment holdings
China Environment Investment Limited 中國環境投資有限公司	Hong Kong	HK$1	**100%**	100%	**100%**	100%	Investment holdings
邁森融資租賃(上海)有限公司	PRC	RMB219,666,229	**100%**	100%	**100%**	100%	Investment holdings
Wuhan Chengji Commodity City Management Company Limited* 武漢城基小商品城商業管理有限公司	PRC	RMB500,000	**100%**	100%	**100%**	100%	Provision of management services
Shenzhen Huafeng Infrastructure Investments Company Limited* 深圳華峰基礎設施投資有限公司	PRC	RMB20,000,000	**100%**	100%	**100%**	100%	Investment holdings
Precious Palace Enterprise Limited	BVI	HK$390,000	**100%**	–	**100%**	–	Investment holdings
Mimiro Industrial Co. Limited	Hong Kong	HK$500,000	**100%**	–	**100%**	–	Investment holdings
Fengzhen Industrial Development (Shenzhen) Co. Limited 鳳珍實業發展(深圳)有限公司	PRC	RMB13,080,000	**100%**	–	**100%**	–	Property investment
Shangrao Zhong Cheng Jian Tourism Development Limited* 上饒市中城建旅遊開發有限公司	PRC	RMB30,000,000	**99%**	100%	**99%**	100%	Tourism Development

* *for identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

notes:

(i) Hangzhou Niagra Real Estates Co. Ltd and Water Property Hubei Group Limited are wholly foreign owned enterprises established in the PRC.

(ii) None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

The above table lists the subsidiaries of the Group which, in the opinions of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

42. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current asset		
Interests in subsidiaries	**1,859,065**	1,095,622
Current assets		
Other receivables	**560**	716
Bank balances	**594**	1,328
	1,154	2,044
TOTAL ASSETS	**1,860,219**	1,097,666
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**312,828**	308,228
Reserves *(note)*	**780,402**	732,797
TOTAL EQUITY	**1,093,230**	1,041,025
Non-current liabilities		
Promissory note-due after one year	**357,385**	–
Convertible notes – due after one year	**373,102**	–
	730,487	–
Current liabilities		
Other payables and accruals	**36,502**	34,381
Convertible notes – due within one year	**–**	22,260
	36,502	56,641
TOTAL LIABILITIES	**766,989**	56,641
TOTAL EQUITY AND LIABILITIES	**1,860,219**	1,097,666
NET CURRENT LIABILITIES	**(35,348)**	(54,597)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,823,717**	1,041,025

The Company's statement of financial position was approved and authorised for issue by the board of directors on 13 May 2020 and are signed on its behalf by:

Li Chao Bo *DIRECTOR*	**Ye Tianfang** *DIRECTOR*

42. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY (continued)

note: Movement in the Company's reserves

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	1,717,316	71,463	5,388	29,555	(1,068,668)	755,054
Share options lapsed	–	–	–	(22,542)	22,542	–
Loss for the year	–	–	–	–	(22,257)	(22,257)
At 31 December 2018 and 1 January 2019	1,717,316	71,463	5,388	7,013	(1,068,383)	732,797
Issue of shares on conversion of convertible notes	23,788	–	(5,388)	–	–	18,400
Issue of convertible notes	–	–	67,363	–	–	67,363
Share options lapsed	–	–	–	(311)	311	–
Loss for the year	–	–	–	–	(38,158)	(38,158)
At 31 December 2019	1,741,104	71,463	67,363	6,702	(1,106,230)	780,402

The contributed surplus represents the difference between the book values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the Group Reorganisation.

The Company's reserves available for distribution to its shareholders comprise of share premium, contributed surplus, convertible notes equity reserve, share options reserve and accumulated losses which in aggregate amounted to approximately HK$780 million at 31 December 2019 (2018: approximately HK$733 million). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for distributions or paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions or payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be payable out of retained earnings or other reserves, including the share premium account, of the Company.

43. EVENTS AFTER THE REPORTING PERIOD

The recent escalation of COVID-19 coronavirus to a global pandemic has an adverse impact on market sentiments and posed challenge to the whole world. The Group continues to closely monitor the development of the pandemic and takes all possible and reasonable measures to mitigate the effect on the Group's operations.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Continuing operations					
Revenue	481,935	496,473	628,890	293,593	**101,107**
Profit (loss) from operations	(61,927)	(151,771)	(104,845)	(29,293)	**1,766**
Finance costs	(84,143)	(229,233)	(185,553)	(138,824)	**(141,923)**
Profit (loss) before tax	(146,070)	(381,004)	(290,398)	(168,117)	**(140,157)**
Income tax (expenses) credit	(35,570)	(66,323)	6,513	(8,233)	**(38,082)**
Profit (loss) for the year before discontinued operation	(181,640)	(447,327)	(283,885)	(176,350)	**(178,239)**
Discontinued operation	–	(6,395)	(5,337)	–	**–**
Profit (loss) before non-controlling interests	(181,640)	(453,722)	(289,222)	(176,350)	**(178,239)**
Non-controlling interests	2,346	1,868	2,307	1,467	**2,301**
Profit (loss) for the year attributable to owners of the Company	(179,294)	(451,854)	(286,915)	(174,883)	**(175,938)**
Earnings (losses) per share from continuing and discontinued operations	*HK Cents*	*HK Cents*	*HK Cents*	*HK Cents*	***HK Cents***
– Basic	(8.77)	(20.75)	(10.80)	(5.67)	**(5.66)**
– Diluted	(8.77)	(20.75)	(10.80)	(5.67)	**(5.66)**

ASSETS AND LIABILITIES

	Year ended 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	5,690,274	4,914,454	4,008,260	2,867,835	**3,672,640**
Total liabilities	(3,791,458)	(3,413,618)	(2,395,926)	(1,606,472)	**(2,517,818)**
Non-controlling interests	(142,363)	(129,637)	(99,830)	–	**5,734**
Equity attributable to owners of the Company	1,756,453	1,371,199	1,512,504	1,261,363	**1,160,556**

PROPERTIES PARTICULARS

Property Projects of the Group at 31 December 2019 is set out below.

	Property Projects	Type	Lease Term	Site Area (Square Metres)	Gross Floor Area (Square Metres)	Stage of Completion	Interest attributable to the Group	Anticipated Completion
1.	Future City Situated on No. 147, Luo Shi Road South, Hongshan District, Wuhan City, Hubei Province, the PRC	Residential/ Commercial/ Hotel	Medium	19,191	145,273	Completed	100%	–
2.	Future Mansion Situated on No. 378, Wu Lo Road, Hongshan District, Wuhan City, Hubei Province, the PRC	Residential	Medium	5,852	42,149	Completed	100%	–
3.	Mei Lai International Centre Situated on Southern side of intersection of Yin Bin Road and Weng Mei Road, Nanyan Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	Commercial	Medium	16,448	114,610	Completed	100%	–
4.	Zhongshui • Longyang Plaza Situated on Land Lot No. 19C2 Located at Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	Commercial	Medium	30,625	135,173	Completed	100%	–