C C LAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1224

ANNUAL REPORT 2019

Contents

Corporate Information

DIRECTORS

Executive directors
Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
(Deputy Chairman & Managing Director)
Mr. Wong Chi Keung *(Deputy Chairman)*
Mr. Leung Chun Cheong
Mr. Leung Wai Fai

Independent non-executive directors
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

AUDIT COMMITTEE

Mr. Lam Kin Fung Jeffrey *(Chairman)*
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

NOMINATION COMMITTEE

Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

REMUNERATION COMMITTEE

Mr. Leung Yu Ming Steven *(Chairman)*
Mr. Cheung Chung Kiu
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Dr. Wong Lung Tak Patrick

AUTHORISED REPRESENTATIVES

Dr. Lam How Mun Peter
Mr. Leung Chun Cheong

COMPANY SECRETARY

Ms. Cheung Fung Yee

WEBSITE

www.ccland.com.hk

SECURITIES CODES

Shares
1224.HK

USD250 million 6.35% guaranteed notes due 2022
4566.HK

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

Hong Kong
Cheung Tong & Rosa Solicitors

Bermuda
Conyers Dill & Pearman

SHARE REGISTRARS AND TRANSFER OFFICES

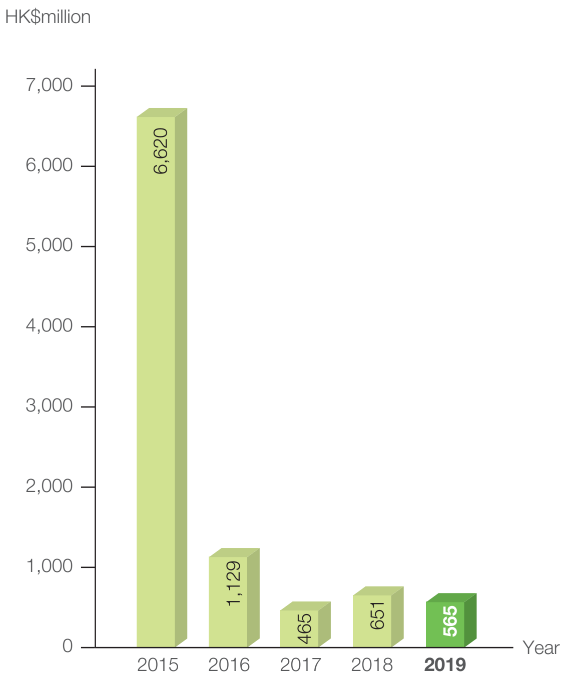
Principal share registrar and transfer office
MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

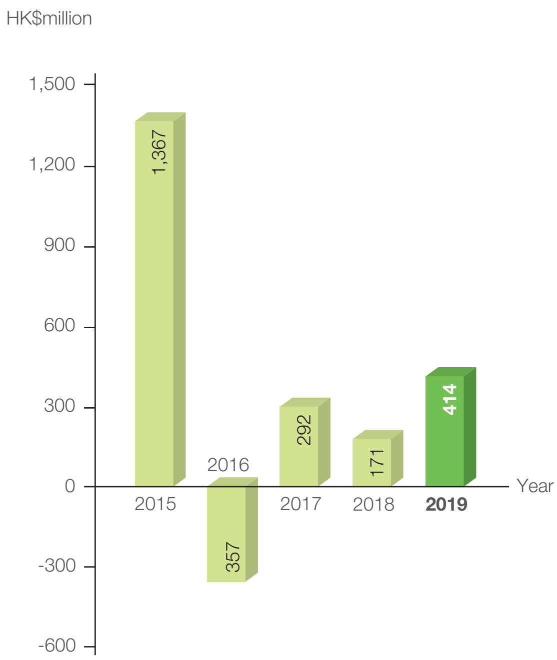
PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
ING Bank N.V., London Branch
The Bank of East Asia, Limited
Wing Lung Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

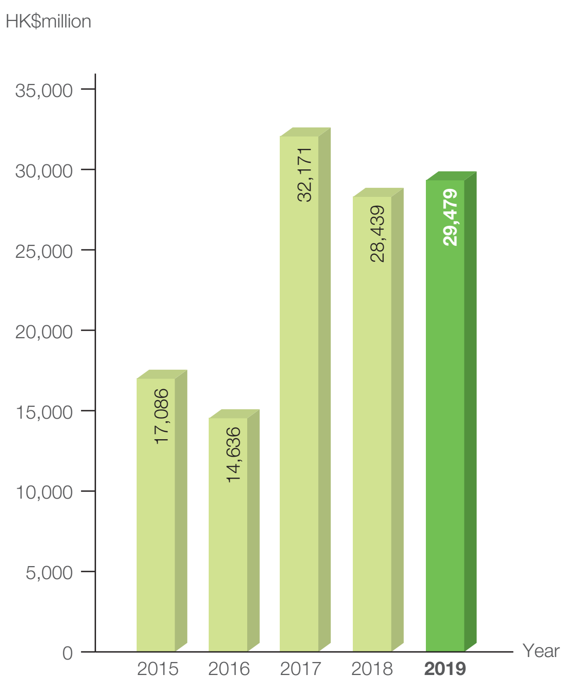
REVENUE
Year ended 31 December



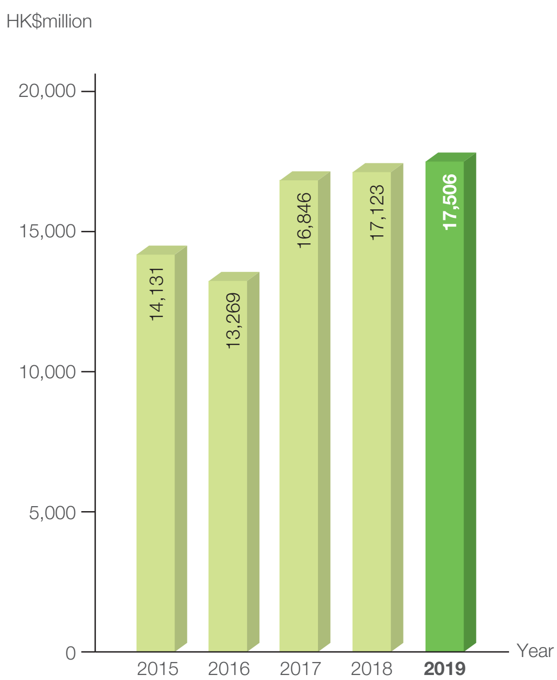
PROFIT/LOSS ATTRIBUTABLE TO SHAREHOLDERS
Year ended 31 December



TOTAL ASSETS
As at 31 December



SHAREHOLDERS' EQUITY
As at 31 December



EXECUTIVE DIRECTORS

Mr. CHEUNG Chung Kiu, aged 55, was first appointed Executive Director of the Company on 22 June 2000 and became Chairman on 22 November 2006. He also serves as a Director of several subsidiaries of the Company. As Chairman, Mr. Cheung oversees the Group's entire business and is responsible for leading the Board and managing its work to ensure that the Board effectively operates and fully discharges its responsibilities. Mr. Cheung has a wide range of experience in investment and business management, including over 25 years of property development and investment experience, mainly in Hong Kong and in the PRC as well as other major cities globally including London and Sydney. In addition, Mr. Cheung is the chairman and managing director of Y. T. Realty Group Limited ("Y.T. Realty") and chairman of The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), the shares of which are listed on the Stock Exchange. He is also a director of Windsor Dynasty Limited and Fame Seeker Holdings Limited, which are companies disclosed under the section headed "Discloseable Interests and Short Positions of Shareholders under the SFO" on page 33.

Dr. LAM How Mun Peter, aged 72, was first appointed Executive Director of the Company on 3 June 1998 and became Managing Director and Deputy Chairman on 9 April 1999 and 22 November 2006 respectively. Dr. Lam is one of the founders of the Group established in 1989. He also serves as a Director of several subsidiaries of the Company. As Managing Director, Dr. Lam oversees the Group's business and is responsible for overseeing the Group's day-to-day management, recommending strategies to the Board, and determining and implementing operational decisions. Dr. Lam graduated from the University of Hong Kong with a bachelor's degree in Medicine and Surgery in 1972. He is a fellow of the Royal College of Surgeons of Edinburgh and the American College of Surgeons. In addition to his extensive experience in medical practice, Dr. Lam has over 30 years of extensive experience in corporate management, real estate and investment.

Mr. WONG Chi Keung, aged 64, was appointed Executive Director and Deputy Chairman of the Company on 1 March 2016. He also serves as a Director of several subsidiaries of the Company. Mr. Wong oversees the Group's property development and investment business and is responsible for recommending investment strategies to the Board. He holds a degree of Doctor of Philosophy in Business from Honolulu University and is a professional member of the Royal Institution of Chartered Surveyors, and a member of The Hong Kong Institute of Housing and the Chartered Institute of Housing. He is a fellow member of Hong Kong Institute of Real Estate Administrators and The Hong Kong Institute of Directors and an honorary fellow of Guangxi Academy of Social Sciences. Mr. Wong has held senior executive positions with various leading property companies and property consultant firms in Hong Kong in the past 30 years. In addition, Mr. Wong is currently an executive director of Cross-Harbour and an independent non-executive director of Water Oasis Group Limited, the shares of which are also listed on the Stock Exchange.

Mr. LEUNG Chun Cheong, aged 70, was appointed Executive Director of the Company on 3 June 1998. He also serves as a Director of several subsidiaries of the Company. Mr. Leung joined the Group in 1995. He is mainly responsible for overseeing the Group's financial management and financial functions and governance. Prior to joining the Group, Mr. Leung had held senior positions in both multi-national companies and audit professions in Hong Kong. He has over 35 years of extensive experience in auditing and financial management. Mr. Leung is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and an associate of the Hong Kong Institute of Certified Public Accountants.

Mr. LEUNG Wai Fai, aged 58, was appointed Executive Director of the Company on 3 December 1999. He also serves as a Director of several subsidiaries of the Company. Mr. Leung is mainly responsible for the financial planning of the Group's business as well as overseeing its corporate finance and management. Mr. Leung graduated from the University of Wisconsin-Madison, the United States of America with a bachelor's degree in Business Administration in 1985, and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. He has over 30 years of extensive experience in planning and advisory as well as accounting and financial reporting. In addition, Mr. Leung is an executive director of Cross-Harbour.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kin Fung Jeffrey, GBS, JP, aged 68, was appointed Independent Non-executive Director of the Company on 3 June 1998. Mr. Lam holds a bachelor's degree in mechanical engineering from Tufts University in the United States. He has over 30 years of experience in the toy industry and is currently the Managing Director of Forward Winsome Industries Limited which is engaged in toy manufacturing. Mr. Lam was awarded a Gold Bauhinia Star by the Government of the HKSAR in 2011. He also holds a number of public and community service positions including Member of the National Committee of the Chinese People's Political Consultative Conference, Member of the Legislative Council and Non-Official Member of the Executive Council in Hong Kong, Chairman of Independent Commission Against Corruption Complaints Committee, Director of The Hong Kong Mortgage Corporation Limited, and General Committee Member of the Hong Kong General Chamber of Commerce. In addition, Mr. Lam is an independent non-executive director of Analogue Holdings Limited, China Overseas Grand Oceans Group Ltd., Chow Tai Fook Jewellery Group Limited, CWT International Limited, i-CABLE Communications Limited, Wing Tai Properties Limited and Wynn Macau, Limited, the shares of all these companies are listed on the Stock Exchange.

Mr. LEUNG Yu Ming Steven, aged 60, was appointed Independent Non-executive Director of the Company on 1 October 2007. Mr. Leung holds a master's degree in Accountancy from Charles Sturt University in Australia and a bachelor's degree in Social Science from the Chinese University of Hong Kong. He is an associate of the Institute of Chartered Accountants in England and Wales, a certified practicing accountant of CPA Australia and a fellow of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Leung is a practicing certified public accountant in Hong Kong. He previously worked in Nomura International (Hong Kong) Limited as an assistant vice-president in the International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation in 1990 and is currently the senior partner of a firm of certified public accountants. He has over 30 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is an independent non-executive director of Suga International Holdings Limited, Y.T. Realty and Cross-Harbour, the shares of all these companies are listed on the Stock Exchange.

Dr. WONG Lung Tak Patrick, BBS, JP, aged 72, was appointed Independent Non-executive Director of the Company on 1 October 2007. Dr. Wong is a Certified Public Accountant (Practicing) and a Certified Tax Adviser in Hong Kong and also a Chartered Secretary in the United Kingdom and in Hong Kong. He is currently the Managing Practising Director of Patrick Wong CPA Limited. He has over 40 years' experience in the accountancy profession. Dr. Wong holds a Doctor of Philosophy in Business degree, was awarded a Badge of Honour by the Queen of England in 1993 and was appointed a Justice of the Peace in 1998. He was also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. Dr. Wong is an independent non-executive director of 北京汽車股份有限公司(BAIC Motor Corporation Limited), Galaxy Entertainment Group Limited, Li Bao Ge Group Limited, Sino Oil and Gas Holdings Limited, Water Oasis Group Limited and Winox Holdings Limited, the shares of all these companies are listed on the Stock Exchange.

Chairman's Statement

To our shareholders,

I am pleased to present the annual results of the Group for the year ended 31 December 2019.

For the year ended 31 December 2019, the Group achieved a consolidated revenue of HK$564.6 million, representing a decrease of approximately 13.3% compared to HK$651.1 million in 2018. The Group's net profit for the year was HK$414 million (2018: HK$171.1 million). The profit attributable to shareholders for the year was HK$414 million (2018: HK$171.1 million). The basic earnings per share for the year was HK10.66 cents (2018: HK4.41 cents).

BUSINESS REVIEW

The Group now has property investment and development projects in the major cosmopolitan cities of the world, namely, London, Melbourne, Hong Kong and key cities of the PRC.

Out of the total property portfolio in terms of area, about 89% is located in Central London. In the United Kingdom, office take-up in the year has been concentrated in Central London. As the area now benefits from improved public transport links, the Central London office market is expected to remain stable. With a low supply level as a result of restrained development, the fundamental long-term stability, the transparent ownership and tax policies, there will always be strong demands in London's property market. This also contributes to the commercial sector's resilience to market pressures and uncertainty. The continued political uncertainty around Brexit (which is now clearing!) and slowing down in some global economic markets in the year have resulted in a reduction of leasing activities from 2018. The Group, however, is confident that London will remain the key strength of the British economy and retain its position as one of the world's top financial centres. The leasing activity will improve when there is economic growth and political stability as the overhang from Brexit uncertainty is gradually removed.

As companies' demand to leasing high quality commercial property in London remained strong, the Group has had another successful leasing year. Both the Group's investment properties in London, The Leadenhall Building and One Kingdom Street, achieved 100% occupancy. The tenants of the two buildings were fully satisfied with the buildings and the quality services provided by the management. Following rental reviews, the weighted average increase in rental rates of The Leadenhall Building and One Kingdom Street achieved on renewals that commenced during the year were 7.0% and 4.3% respectively.

The 85 Spring Street, Melbourne building was acquired by the Group's joint venture in April 2019 for AUD112 million. The building is located in a desirable area within the Melbourne CBD, and the Group intends to add value by redeveloping the building into a quality A-grade office building. Melbourne's CBD has seen strong office leasing activity since the second half of 2018 and this activity will be supported by the limited availability in the area of prime office space.

The construction of the Phase I of Nine Elms Square started in late 2018 and is expected to be completed by 2023. Once completed, the three luxurious residential towers will deliver approximately 680,000 sqf of well-designed saleable residential spaces along the South Bank of the River Thames. Phase II of this project will deliver a further 920,000 sqf of saleable residential spaces. Selected units of Phase I have been launched for marketing in the first quarter of 2020 and have met with good response.

The Group made two disposals and acquired two new projects over the year. These have contributed positively. The Group's investment objective is to deliver income, with the potential for capital growth. Over the last 12 months, the Group has achieved this with a focus on increasing occupancy, growing income, and acquisitions to strengthen its asset base.

In December 2019, the Group participated in a joint venture to develop a property project, the famous Whiteleys Shopping Centre located in Bayswater, London. Total committed investment cost amounts to GBP182 million and the Group has 50% voting power in this project. When completed, the Whiteleys project will render 153 apartments, a 5-star hotel, retail spaces, a state-of-the-art gymnasium, a cinema, restaurants and cafes, taking full advantage of this unique regeneration opportunity in prime Central London.

When opportunities arrive, the Group will reposition with flexibility its property portfolio to realize gain from its investments. During the year, the Group disposed of interests in two subsidiaries operating in joint venture property developments in the PRC, and realized a combined profit of HK$140.3 million. (For details, please refer to Business Review on Management Discussion and Analysis). Furthermore, with disciplined capital allocations, the Group entered into an agreement to form a joint venture participating in a property development project in Chongqing, which comprise a total of 7.0 million sqf of commercial, retail and residential spaces. The Group will invest about RMB800 million in this project for 33.3% ownership interest.

To support the continuous growth of the Group, the Group has considered various funding sources. In June 2019, the Group issued for the first time 3-year guaranteed notes due 2022 which are listed on the Stock Exchange and raised a total of US$250 million as general working capital with a coupon rate of 6.35% per annum.

OUTLOOK

The current property portfolio of the Group provides the Group with a stable rental income stream from investment properties while the property sales revenue from development projects will add return to the shareholders.

The Group remains confident in the property market in Central London. Central London's commercial property markets have remained resilient as both investor and tenant demands have been strong especially for prime office space. Driven by improved public transport infrastructure, Central London is growing and creating occupier demand. The tight supply of new high quality office space has supported the Group's leasing activities. The residential property market is expected to be stable with modest growth. The Group remains positive on the long-term outlook for London as one of the top global cities and an important destination for investors and businesses.

The Australian economy improved over the last year. The positive sentiment and low vacancy rate have pushed up the Melbourne office market. Looking into the future, Melbourne's leasing demand is expected to grow and the Group intends to redevelop the property at 85 Spring Street, Melbourne to maximise the return from this joint venture investment.

Meanwhile in Hong Kong, Kowloon East has been transformed into another important core business district outside of the Central district. The Group is confident that the Kowloon East CBD would appeal to tenants and benefit from demand pickup in the future, providing a good return from its joint venture investment in the Harbourside HQ.

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to the Board, management and staff for their diligence, loyalty and dedication. I am grateful to our shareholders, strategic partners and bankers for their support and trust which have contributed towards the Group's success.

Cheung Chung Kiu
Chairman

Hong Kong, 20 March 2020

RESULTS

The Group achieved a consolidated revenue of HK$564.6 million, representing a decrease of approximately 13.3% compared to HK$651.1 million in 2018. The Group's net profit for the year was increased by 142% to HK$414 million (2018: HK$171.1 million). The profit attributable to shareholders for the year was increased by 142% to HK$414 million (2018: HK$171.1 million). The basic earnings per share for the year was HK10.66 cents (2018: HK4.41 cents).

FINAL DIVIDEND

The directors are pleased to recommend a final dividend of HK$0.02 (2018: HK$0.02) per ordinary share to shareholders who are registered on the Register of Members of the Company at the close of business on 26 May 2020. Subject to approval at the Company's forthcoming AGM, dividend warrant will be sent to shareholders on or about 5 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 13 May 2020 to Monday, 18 May 2020, both days inclusive, for determining the eligibility of shareholders for attending and voting at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m., Tuesday, 12 May 2020.

The Register of Members of the Company will also be closed from Friday, 22 May 2020 to Tuesday, 26 May 2020, both days inclusive, for determining the eligibility of shareholders for the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Secretaries Limited of above address no later than 4:30 p.m., Thursday, 21 May 2020.

BUSINESS REVIEW

Revenue and Operating Profit

The revenue of HK$564.6 million in the year (2018: HK$651.1 million) arose primarily from rental income and treasury investment income, amounting to HK$477.1 million and HK$87.5 million respectively.

The revenue decreased by HK$86.5 million for the year ended 31 December 2019 as compared to that of the previous year. The rental income was HK$477.1 million, representing a decrease of 2.6%. The decrease is due to the depreciation of approximately 4% of the average exchange rate of the GBP against the HK$ compared with the previous year resulting in a lower rental revenue, which was partially offset by the increased revenue contributed by lease renewals and rent reviews during the year.

The revenue from treasury investment was HK$87.5 million which also recorded a decrease in revenue of HK$73.5 million for the year ended 31 December 2019 as compared to that of the previous year. The decrease is due to a higher revenue recorded in the previous year in dividend income from equity and fund investments, and losses sustained in the year on disposal of financial assets at fair value through profit or loss amounting to HK$6.0 million against a gain of HK$25.7 million in the previous year. There was also a lower interest income from loans due to the decrease of average loans balances in the year.

The treasury investment segment recorded net realized gains of HK$100.7 million (2018: HK$72.8 million) and fair value loss of HK$5.7 million (2018: HK$119.7 million) from its investment portfolio covering equity securities, fund investments and debt investments during the year.

Other income and gains increased by HK$311.3 million for the year ended 31 December 2019 to HK$502.8 million as compared to 2018 as a result of the disposal of the following property development projects in the year:

1. The Group sold its interests in the Hunan Zhuzhou City Project for a consideration of approximately HK$331 million, resulting in a recognized disposal gain of HK$28 million in the year.

2. A subsidiary with 50% interest in property development project in Sichuan was sold to an independent third party in December 2019 for a cash consideration of HK$316.6 million crystallizing a profit to the Group of HK$112.3 million.

The increase in other income was also driven by the fair value gains on investment properties which increased by HK$118.6 million to HK$165.3 million as a result of the increase in the market value of The Leadenhall Building to GBP1,160 million as at 31 December 2019 and the net gains on disposal of financial assets at fair value through profit or loss amounting to HK$105.6 million against disposal gains of HK$47 million in 2018.

The Group's share of the results of joint ventures and associates returned a profit of HK$103.6 million (2018: HK$108.1 million) which reflected a guaranteed fixed rate of return of loan investment in a 48.98% owned real estate joint venture. This was offset by the marketing/operating costs from the Nine Elms Square project ahead of profit delivery with the Phase I developments ongoing at the year end.

The Group recorded a full year profit attributable to shareholders of HK$414 million (2018: HK$171.1 million) representing an increase of 142%.

Investment Properties

As at 31 December 2019, the Group held a portfolio of three commercial properties, totaling 985,000 sqf of office, retail and car parking spaces located in two countries namely, the United Kingdom and Australia. In terms of area, the United Kingdom assets accounted for 89% of the portfolio while 11% of the portfolio was owned by the Group through a joint venture in Melbourne.

During the year 2019, the Group generated a rental income of HK$477.1 million (2018: HK$490.1 million) from its investment properties in London.

United Kingdom

The Leadenhall Building

The Leadenhall Building, also known as the Cheesegrater with its unique tapering shape, is a world class building and an iconic landmark in the City of London, situated in the prime financial and insurance districts of London. Completed in 2014, it is the gem asset of the Group and will be held by the Group as an investment property for long term capital growth. It is a 46-storeyed commercial tower and comprises approximately 610,000 sqf of office and retail space, and is fully multi-let with a weighted average unexpired lease term of approximately 11 years with over 7 years on a term-certain basis. The building's tenant base includes a number of renowned international insurance companies alongside other financial institutions, technology, and professional service businesses. The current annual contract rental income of The Leadenhall Building is in the region of GBP40.5 million (2018: GBP40.2 million). As at the end of 2019, all of the office space was leased. The rental yield is approximately 3.5% per annum.

The Leadenhall Building

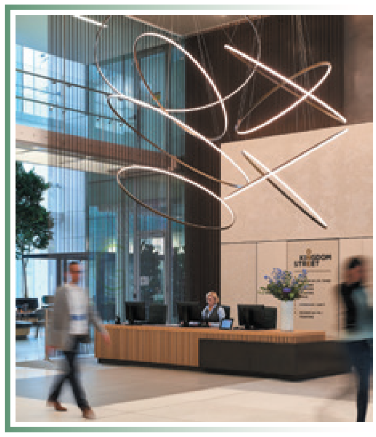
To make communication with the tenants of the building more effective and direct, tenants' wishes and suggestions for improvement are collected in the reception area starting from July 2019. Registered occupiers will receive regularly from the management the Building's newsletters, updates on events, building news and other relevant information such as the launch of the Privilege Card or discount offers by the tenant restaurants and shops.

To increase and maintain the status of the building as an iconic international building, the Group organized events branded "Leadenhall Live" for 2019. The campaign aimed to allow more people to experience in person the unique design of the building and its high tech but user friendly interior facilities. A new modern restaurant was also introduced to provide an unforgettable dining experience. A new website of The Leadenhall Building was launched in April 2019 to enhance user experience and more interaction with the tenants.

One Kingdom Street

One Kingdom Street is within a few minutes' walking distance from the Paddington Station in Central London. The building is in Sheldon Square, which comprises of office and residential blocks, a hotel, retail, dining, and entertainment amenities. One Kingdom Street offers approximately 265,000 sqf of high quality Grade A office accommodation and some parking spaces. With its elegant glazed exteriors, a warm welcoming functional entrance hall, and natural light, the building has provided a productive and enjoyable working environment. The building captures an annual contract rental income of approximately GBP15.0 million (2018: GBP14.6 million), equivalent to an annual yield of 5.0%. It is fully let throughout the year to reputable major tenants.

Tenant-mix enhancement initiatives were implemented to meet various customer demands. To enhance the interactions and harmonious relationship among tenants of the building, occupier engagement events were introduced, including Bespoke Christmas Cookie Cart, Spring Sustainable Wreath Making Workshop and Partnership with Battersea Dogs and Cats Home events.

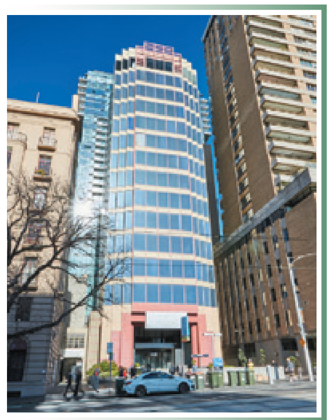


One Kingdom Street

Australia

85 Spring Street, Melbourne

The building is located on a prime site in the Melbourne CBD overlooking the parliamentary area and near a public park, and is surrounded by international retailers, restaurants, and magnificent historical buildings. The property has a site area of 13,358 sqf and provides a lettable area of approximately 110,000 sqf across the ground and 15 upper office levels, with basement parking for 23 cars. The building benefits from dual street frontage, and direct access to the Parliament train station. The acquisition cost amounted to AUD112 million in which the Group has a 41.9% effective interest. The building is currently vacant and will be redeveloped into a Grade A office building.



Melbourne project

Joint Ventures

As at 31 December 2019, the Group had two joint venture property development projects in London and one in Hong Kong.

The Group's net investment in joint ventures was HK$3,163 million, a decrease from HK$3,652 million at 31 December 2018 due to the disposals of two projects in the PRC during the year.

Virtual perspective of Nine Elms Square

Nine Elms Square – London

The Group has a 50% interest in the Nine Elms Square Project.

The project is located at the southern bank of the River Thames in Central London. The high floors from the proposed towers will command panoramic views across the entire London city, a rare sight in Central London. With the Linear Park next to the project, residents have all the convenience of a central urban location, coupled with the benefit and lifestyle of a recreational park.

This project occupies a ten-acre site, comprising of twelve buildings including three tall towers, and will be a landmark residential destination on the South Bank. The project will be developed in two phases. Most of the units will enjoy a panoramic view of the River Thames. Phase I of the project is tentatively expected to be completed in 2023.

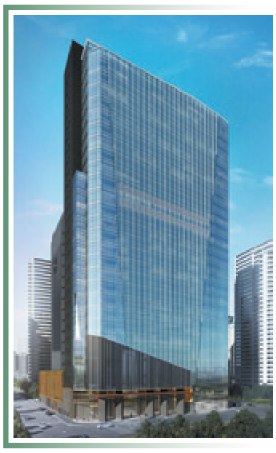
Selected residential units of Phase I were launched for marketing in the first quarter of 2020. The joint venture has a network of overseas sales offices to support overseas marketing initiatives. Whilst development of Phase I continued at Nine Elms Square, the other phase of the joint venture has obtained planning permissions comprising approximately 920,000 sqf of residential floor spaces.

When fully developed, the whole project of the joint venture will provide about 1,500 residential units with a total saleable area of approximately 1.7 million sqf. This project is in one of the best connected locations in London, with fast and easy access to all major points within the city. The planned transport improvement package will make this area even more attractive to reside in years to come.

Whiteleys Shopping Centre – London

The Group has committed to invest GBP182 million in the regeneration and redevelopment project of Whiteleys in London, a former shopping centre constructed in 1908. Located in Queensway, W2, the Whiteleys redevelopment project is a mixed-use scheme which secured planning permission in 2016. Under the redevelopment plans, the finished project will house 153 apartments, a 5-star hotel, retail spaces with a mix of independent retailers, a state-of-the-art gymnasium, a cinema, restaurants, and cafes, offering an unparalleled regeneration opportunity in prime Central London. Completion of the redevelopment is expected in 2023, restoring Whiteleys to its rightful position at the heart of Bayswater. The Group has 50% voting power in this project.

Whiteleys Shopping Centre



Harbourside HQ

Harbourside HQ – Hong Kong

The Kowloon East area, including Kowloon Bay where the Harbourside HQ is located, will see significant expansion of office floor area in the medium term. Due to the low vacancy rate in the central business districts, leasing activity will likely spill over to emerging sub-areas, such as Kowloon East, taking advantage of the presence of banks and insurance companies already there, as well as new infrastructure developments in the region.

The Harbourside HQ is strategically located close to the junction of MTR Kwun Tong Line and Shatin to Central Link, as well as near to the Tate's Cairn and Eastern Harbour Crossing, making it easily accessible and well connected to different districts of Hong Kong. In its unique location, Harbourside HQ commands a thorough harbour view panning from the Lei Yue Mun Straits to the Victoria Harbour. It is a 28-storeyed Grade A office building, with a total marketable gross floor area of approximately 795,000 sqf including retail spaces on the ground and the first floor, and 285 parking spaces. The cost of acquisition was HK$7.5 billion in which the Group has a 25% ownership interest. The rental yield is about 2% per annum.

Refurbishment and upgrading to the entrance hall and common areas, as well as improvement of the external curtain walls are under way to re-brand the property to attract an upscale tenant mix.

Development Projects – PRC

In the PRC, the Group took advantage of potential opportunities to crystallize surpluses, and at the same time is constantly looking for acquisition opportunities.

The Group disposed of its interests in two joint venture property development projects for a combined consideration of HK$647.6 million, realizing a total profit of HK$140.3 million in the year. For details, please refer to the Business Review above. The Group, with disciplined capital allocations, entered into an agreement to participate in a 33.33% interest in a joint venture with respect to a development project in Chongqing with planned investment of about RMB800 million. The development will comprise 7.0 million sqf of commercial, retail and residential spaces. Construction for the first phase is expected to commence in 2020.

The Group is constantly looking for opportunities to invest in China, especially in the first tier cities.

Treasury Investment Business

The treasury investment segment recorded a gain of HK$126.2 million (2018: a loss of HK$54.7 million). The dividends and interests earned from investments and loans receivable amounted to HK$93.5 million (2018: HK$135.2 million). The realized gains and unrealized fair value losses from its investment portfolio amounted to HK$100.7 million and HK$5.7 million respectively (2018: realized profit of HK$72.8 million and unrealized fair value losses of HK$119.7 million respectively).

CORPORATE STRATEGY AND OUTLOOK

The majority of the Group's investment is in London, one of the world's greatest cities. London is unique and will continue to be so well into the future. The Group is confident that after Brexit, and with the right conditions, London's economy will flourish.

The Melbourne CBD office market is tight with low vacancy rate and is supported by the limited availability of land suitable for office development. The Group expects that the Melbourne CBD offers significant opportunity for rental growth as a result of a low supply and strong end user demand.

In Hong Kong, the Group expects the CBD rents would adjust downwards due to the economy slowdown. With Kowloon East now transformed into another important core business district outside of the Central district, the Group is confident that the Kowloon East CBD would appeal to tenants and benefit from demand pickup in the future.

With its financial strength, premium investment properties and development sites, the Group is able to withstand the current market instability.

Due to the Group's longheld adoption of a well diversified investment strategy, the outbreak of the COVID-19 virus should have only limited effect on the Group's operation.

FINANCIAL REVIEW

Investments

The Group invested surplus cash in a diversified portfolio of listed equity securities, unlisted investment funds and debt instruments. As at 31 December 2019, the portfolio of investments comprised of listed equity securities, unlisted investment funds and debt instruments with an aggregate carrying value of HK$1,922.2 million (31 December 2018: HK$3,005.9 million) which is listed in the table below:

	31 December 2019 HK$' million	31 December 2018 HK$' million
Financial assets at fair value through profit or loss		
Listed equity securities	**223.6**	192.0
Unlisted investment funds	**605.7**	1,446.0
Debt instruments	**77.4**	–
	906.7	1,638.0
Financial assets at fair value through other comprehensive income		
Listed equity securities	**649.7**	931.6
Debt instruments	**365.8**	436.3
	1,015.5	1,367.9
Total	**1,922.2**	3,005.9

In 2019, the Group recognized from its portfolio of investments unrealized fair value losses of HK$5.7 million (2018: unrealized fair value loss of HK$119.7 million) in the consolidated statement of profit or loss and unrealized fair value loss of HK$202.6 million (2018: unrealized fair value gain of HK$449.7 million) in the consolidated statement of other comprehensive income. The realized gains on the portfolio of investments for the year was HK$100.7 million (2018: realized profit HK$72.8 million), whereas the amount of dividends and interest income from investments was HK$51.5 million (2018: HK$83.7 million). In terms of future prospects of the Group's investments, the performance of the listed equity securities and unlisted investment funds held is to a large extent subject to the performances of the relevant financial markets which are liable to change rapidly and unpredictably.

The Group will continuously adopt a prudent investment strategy and assess the performance of its portfolio of investments to make timely and appropriate adjustments to fine-tune its investments holding with a view to generating favorable returns for its shareholders.

Liquidity and Financial Resources

As at end of the year, the Group has net borrowing of HK$3.8 billion (31 December 2018: HK$3.8 billion) which consists of cash and bank balances and time deposits of HK$7.1 billion and HK$10.9 billion total borrowings drawn under the Group's banking facilities and the issue of notes. The Group's gearing level, net of cash, represented 21.8% of the total equity at 31 December 2019 (2018: 22.5%).

As at 31 December 2019, the Group had total bank borrowings and notes payable amounting to HK$10.9 billion which the maturity profile was spread over a period of 3 years with HK$1.1 billion repayable within one year and the remaining HK$9.8 billion is repayable after one year.

The weighted average interest rate for the year increased to 3% per annum given the Group's recent refinancing (2018: 2.4% per annum).

As at 31 December 2019, cash and cash equivalents balances totalled HK$7.1 billion as compared to HK$6.2 billion as at 31 December 2018. About 37% of the Group's bank deposits and cash were denominated in HKD, 45% in USD, 16% in RMB, and 2% in GBP.

The Group continues to maintain a high level of liquidity. Total assets as at the end of December 2019 were HK$29.5 billion, of which approximately 33% was current in nature. Net current assets were HK$7.5 billion and accounted for approximately 43% of the net assets of the Group. This level of liquidity together with available cash on hand and undrawn credit facilities have bestowed on the Group strong financial flexibility going forward.

As at 31 December 2019, the owners' equity was HK$17.5 billion (2018: HK$17.1 billion) and the net assets value per share was HK$4.51 (2018: HK$4.41).

Contingent Liabilities/Financial Guarantees

At 31 December 2019, the Group had the following contingent liabilities/financial guarantees:

1. Guarantee given to the vendor in connection with the acquisition of a freehold land by a joint venture amounting to HK$204 million (2018: HK$248 million).

2. Guarantee given to a bank in connection with a facility granted to a joint venture up to HK$1,119 million which was fully utilized (2018: HK$1,088 million).

3. Guarantee given to a bank and an independent third party in connection with facilities granted to associates amounting to HK$1,479 million (2018: HK$1,500 million) and the related facilities were utilized to the extent of HK$1,479 million (2018: HK$1,500 million).

4. Guarantees given to certain financial institutions in connection with the Group's equity contribution commitment in a joint venture and the cost overrun guarantee in respect of the project development costs of the joint venture in the amounts of HK$1.7 billion and HK$0.8 billion respectively.

Financing Activities

1. In June 2019, the Group completed a successful first time issue of 3-year guaranteed notes due 2022 which are listed on the Stock Exchange and raised a total of US$250 million as general working capital with a coupon rate of 6.35% per annum. The proceeds have not been used as at 31 December 2019.

2. In October 2019, the Group entered into a 3-year term loan facility in an aggregate amount of HK$2.3 billion with certain banks. The facility has not been utilized as at 31 December 2019.

Pledge of Assets

As at 31 December 2019, investment properties, bank deposits, and property and equipment in the respective amounts of HK$14.9 billion, HK$1.0 billion and HK$77 million have been pledged as security for banking facilities granted to the Group.

Exchange Risks and Hedging

The Group manages its treasury activities within established risk objectives and policies. The main objectives are to manage exchange and interest rates, liquidity risks and to provide a degree of certainty in respect of costs.

The Group hedges its foreign investments with bank borrowings and/or forward currency exchange contracts to offset against any unexpected and unfavorable currency movements, which may result in a loss on translation of the net foreign investment into Hong Kong dollars. As at end of the year, no forward currency exchange contract has been executed by the Group.

EMPLOYEES

As at 2019 year end, the Group, including its subsidiaries but excluding its joint ventures and associates, employed a total of 125 employees in Hong Kong, China and United Kingdom for its principal business. Remuneration cost for the year (excluding directors' emoluments) amounted to approximately HK$128 million.

The remuneration of the Group's policy is to ensure that pay levels of its employees are competitive to the market and employees were rewarded according to their merit, qualifications, performance and competence. Other benefits offered to employees include contributions of mandatory provident fund, medical and travel insurances and training subsidies.

Employees are also granted share options under the Company's share option scheme at the discretion of the Board. For 2019 and 2018, no equity-settled share option expense was charged off to the consolidated statement of profit or loss.

The Group adopts a proactive approach in investor relations and strives to provide investors with updates and accurate information on the Group's latest development. The Group has an open-minded attitude and believes effective communication is two-ways and therefore also encourages investors to give feedback to the Group. To enable easy access to information on the Company's latest major development, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website, www.ccland.com.hk.

To enhance communications with its shareholders and the public, the Group has developed new or revamped websites for its flagship projects. The website of The Leadenhall Building (www.theleadenhallbuilding.com) was revamped in April 2019.

INVESTOR RELATIONS ACTIVITIES

To facilitate on-going and timely dialogues with the investment community, the Group held analyst briefings after each results announcement. The management of the Group also participated in investment forums organized by leading international investment banks.

The Group has maintained a long-term and close relationship with the investment community, keeping an updated distribution list of investors to provide them with corporate news and announcements through e-mails. The Group believes continuous communication between investors is extremely important.

During the year, the Group issued a 3-year guaranteed notes due 2022 and raised a total of US$250 million with a coupon rate of 6.35% per annum. This is the first time the Group has issued guaranteed notes and a roadshow was held to introduce the Group and its business to the investors before the issuance. The response of the guaranteed notes issue was very positive and the investors base of the Group is further diversified through this exercise.

ACHIEVEMENTS AND AWARDS

The Leadenhall Building has received various awards during the year.

The Leadenhall Building was awarded the 2019 "Platinum Award with Chairman's Special Commendation" for the 2019 Clean City Awards. This is a level above the award received in this category for 2018.

It is now ISO 14001 accredited, which sets out the criteria for an environmental management system. It maps out a framework that a company or organization can follow to set up an effective environmental management system.

In addition, The Leadenhall Building has signed up to be a part of the City of London Air Quality Pledge, whose aim is for over 90% of the Square Mile to meet the health-based limits for nitrogen dioxide by the beginning of 2025.

The Leadenhall Building received 2019 Clean City Awards

2019 Interim Results Announcement

1. INTRODUCTION

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules.

This report provides information on our policies, commitments and endeavours in relation to ESR issues of our operations in Hong Kong for the reporting year ended 31 December 2019. It focuses on our operations in Hong Kong, which for most of the time during the reporting year, were carried out from our offices situated at leased-premises located in a commercial building in Wanchai following relocation of all our employees from North Point to Wanchai in January 2019. We have also increased the office space of our Wanchai office in order to accommodate them.

For disclosures on our corporate governance as required under the Listing Rules, please refer to the section headed "Corporate Governance Report"on pages 22 to 28.

2. OBJECTIVE

It is our primary objective regarding our ESR to promote sustainable development that meets our business goals without compromising the needs of the environment, society and economy. This coincides with our recognition that environmental, social and economic concerns are all indispensably linked to the businesses which we operate and our long term development.

Our priority within the ESR scope is to incorporate such objective into our daily operation and to devise measures and monitoring system to enhance our sustainability performance as a part of our business development strategy. In meeting such objective, our approach to ESR management is to ensure consistency and acceptable balances between our corporate actions and the interests of the environment, society and sustainable development.

The Board is responsible for overseeing the ESR management and reporting, providing strategic direction in achieving the Group's ESR objective and setting related policies.

3. ENVIRONMENTAL

3.1 Emissions

3.1.1 Greenhouse Gas Emissions

We are committed to reducing air and greenhouse gas ("GHG") emissions, discharges into water and land, generation of hazardous and non-hazardous waste in compliance with applicable laws and regulations.

Our offices do not involve any direct GHG emissions. During the reporting year, our total indirect GHG emissions were approximately 100.3 tonnes (2018: 121.7 tonnes) of carbon dioxide equivalent arising principally from our consumption of electricity, use of paper and business travel outside Hong Kong. The reduction in our indirect GHG emissions was primarily attributable to lesser frequency of business trips outside Hong Kong made during the reporting year, compared to last year. Details of our GHG emissions are as follows:

Sources of GHG emission	**GHG emission (in tonne CO_2-e)**	**GHG emission by scope (in tonne CO_2-e)**
Direct emissions (Scope 1)	–	–
Indirect emissions (Scope 2)		80.1
– Electricity	80.1	
Other indirect emissions (Scope 3)		20.2
– Paper consumption	5.4	
– Business travel outside Hong Kong	14.8	

* *GHG emission is calculated according to the Reporting Guidance on Environmental key performance indicators published by the Stock Exchange.*

As a green initiative, we support the "Indoor Temperature Energy Saving Charter" to improve energy efficiency of our operations. Our employees are encouraged to reduce frequency of business trips by making use of alternative facilities such as telephone and video conferences instead of attending face-to-face meetings as and when practicable. In September 2019, the Group joined the "Biz-Green Dress Day"as one of the events within the "Hong Kong Green Building Week", fully funded by the Construction Industry Council. The event was aimed at reducing air-conditioning consumption by inviting participants to dress light and thus reduce the use of air-conditioning at their workplace.

3.1.2 Waste

Our offices do not involve the generation of any hazardous waste. Our major non-hazardous waste source pertains to general office waste including domestic waste and paper waste. Our domestic waste is disposed of by the relevant property management entities of the building in which our offices are located as part of their property management services. As a green initiative, we have set up designated collection points in the offices to collect recyclable paper waste whether generated internally or otherwise for recycling. During the reporting year, a total of 1.41 tonnes (2018: 1.16 tonnes) of recyclable paper waste had been collected. The increase may be attributable to the disposal of additional paper waste from cleaning up before relocation of employees to our Wanchai offices and the increase in number of employees during the reporting period. In addition to recyclable paper waste, other office recyclable consumables, such as used toner cartridge will also be collected for proper recycling or disposal.

There are no particular environmental laws or regulations relating to GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste that are specifically applicable to our operations in Hong Kong. We are not aware of any non-compliance with other laws or regulations generally applicable to waste disposal arising from the operation of our offices during the reporting year.

3.2 Use of Resources

We strive to use our resources, particularly energy and paper being the two major categories of resources consumed in our offices, in an efficient manner by adhering to the principles of reducing, reusing and recycling. During the reporting year, we have consumed paper equivalent to a total of 341 reams (2018: 353 reams) of A4-size paper. As part of our use of resources efficiency initiatives, we encourage our employees to use electronic copies instead of printed copies of materials and to choose double-sided printing or copying options in order to reduce the use of paper wherever permissible.

During the reporting year, total electricity consumption of our offices was approximately 4.7 kWh per sqf (2018: 5.97 kWh per sqf) or 45.4 kWh per working hour (2018: 44.1 kWh per working hour), representing a total electricity consumption of approximately 100,083 kWh (2018: 98,032 kWh). Total electricity consumption per employee was approximately 1,614.2 kWh (2018: 1,960.6 kWh). Owing to a larger office space in our Wanchai office, there is a slight increase in our total electricity consumption. However, our total electricity consumption per sqf and per employee have both improved thanks to our energy use efficiency initiatives that encourage our employees to switch off lights and electrical appliances whenever they are not in use. We also promote adoption of energy-efficient electrical appliances in our offices wherever applicable.

We use water mainly for drinking and general cleaning purposes in our offices. Total tap water consumption of our office during the reporting year was approximately 670 cubic metres (2018: 257 cubic metres), representing a total annual tap water consumption per employee of approximately 10.8 cubic metres (2018: 8.0 cubic metres). Our total water consumption in 2018 had only taken into account water consumption by our Wanchai office as data for our North Point office was not available. Our total water consumption during the reporting year has taken into account consumption by employees not only from our Wanchai office but also from our previous North Point office following the relocation. In addition to tap water, we have also provided our employees with refillable bottled distilled water for drinking. During the reporting year, our offices consumed a total of approximately 0.7 cubic metre (2018: 5.0 cubic metres) of distilled water. All emptied bottles were collected by the supplier for reuse. Thanks to the installation of a water filtration and purification system to provide our employees with potable water as part of our green initiatives, tap water has become the main source for our water consumption as our consumption of bottled distilled water has significantly reduced, compared to last year. During the reporting year, we have not encountered any issue in sourcing water that is fit for our day-to-day office use.

Our offices do not involve the use of any packaging materials for any finished products.

3.3 The Environment and Natural Resources

We are committed to minimizing the impact of our operations on the environment and natural resources. In addition to our initiatives aiming to use resources efficiently, we have adopted a policy of using environmental friendly materials where applicable. Beginning from 2016, our interim and annual reports have been printed on Forest Stewardship Council certified papers. We have also implemented a number of green initiatives to raise our staff's conservation awareness. We have introduced measures of energy savings, waste less and low carbon living style through the workplace, including displaying prominent signs in conspicuous locations to remind staff of using energy and water more efficiently or reducing the amount of services used.

We understand the inevitable impact of property development and operations on climate and local environment, and as such, we opt for environmentally friendly architectural designs and operational measures wherever practicable to improve the environmental performance of our property development and investment.

4. SOCIAL

4.1 Employment and Labour Practices

4.1.1 Employment

We believe that our employees are vital to our continual business success and are committed to the continuous development of our employees. We are dedicated to attract, retain and deploy the most suitable talent to support our growth.

We are committed to adhering to relevant employment laws and regulations, adopting employment procedures and practices which promote fair treatment when dealing with our employees' compensation (including fringe benefits and welfare) and dismissal, recruitment and promotion, working hours and rest periods, providing equal opportunities, promoting diversity and fostering non-discrimination practices.

We have adopted remuneration policies setting out principles and guidance on remuneration of our directors and employees and a policy setting out the approach to achieve a diverse board. Further details of the remuneration policy for our directors and board diversity policy are set out in the section headed "Corporate Governance Report" on pages 22 to 28, and those of the remuneration policy for our employees are set out in the section headed "Directors' Report" on pages 29 to 34.

Our employees' compensation also includes a range of fringe benefits including medical and dental insurance coverage, paid annual leave, maternity leave and paternity leave. During festive occasions, we offer gifts to our employees for their sharing of the festive joy with their family.

We promote work life balance among our employees. We also organize various recreational activities including annual dinner and birthday parties to strengthen the bonding among our employees and promote their sense of belonging.

During the reporting year, we are not aware of any non-compliance with relevant laws and regulations, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in relation to our operations.

4.1.2 Health and Safety

We strive to provide a safe working environment in our offices, free from any occupational hazards, to our employees in compliance with relevant laws and regulations relating to occupational safety and health.

We have taken steps to ensure a safe working environment in our offices such as cleaning of air-conditioning system and disinfection treatments of carpets on a regular basis. Fire safety of our offices is of paramount importance to us. Our employees are made aware of the means of escape in case of fire through participation in regular fire drills organized by the building management.

During the reporting year, we are not aware of any non-compliance with relevant laws and regulations relating to occupational safety and health that have a significant impact on our operations in Hong Kong relating to providing a safe working environment and protecting employees from occupational hazards in our offices.

4.1.3 Development and Training

We encourage our employees to improve their knowledge and skills for discharging duties at work through external and internal training opportunities that meet the needs of our business, at the Company's expenses.

We provide our Directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company. Speakers with professional background are invited to deliver presentation to our Directors and management on topics relating to their duties from time to time. We also offer subsidies to our employees who attend training courses to assist them in further developing their job-related knowledge and skills. For a summary of training received by Directors, please refer to the section headed "Corporate Governance Report" on pages 22 to 28.

4.1.4 Labour Standards

We prohibit and are against the employment of child and forced labour.

During the reporting year, we are not aware of any non-compliance with relevant laws and regulations that have a significant impact on our operations relating to preventing child and forced labour including the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

4.2 Operating Practices

4.2.1 Supply Chain Management

We endeavour to extend our influence on our stakeholders for managing potential environmental and social risks of the supply chain and promote our ESR policies and practices among them.

We seek to work with our suppliers in pursuit of continuous improvement in social and environmental performance. We are also committed to ensuring that environmental considerations are an integral part of our project development through cooperation with our suppliers and contractors to provide high-quality properties and services to our customers.

4.2.2 Product Responsibility

We strive to adhere to applicable laws and regulations with regard to health and safety, advertising and labelling and privacy matters for products and services we offer in our business, and to maintain effective communication channels for redress.

As a data user, we undertake to comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) to ensure that personal data kept are accurate, securely kept and used only for the purpose for which they have been collected.

We also protect our domain names and trademarks by adequate and timely registration to prevent their loss. Registration of all such domain names and trademarks is reviewed on an on-going basis and will be renewed upon their expiration.

During the reporting year, we are not aware of any material non-compliance with relevant laws and regulations that have a significant impact on our operations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided, including the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

4.2.3 Anti-corruption

We are committed to conducting our business in compliance with applicable laws and regulations against bribery, extortion, fraud and money laundering.

We have in place a code of conduct applicable to our directors and employees setting out the standards of behaviour that the Company expects from them, guidelines on how they should handle different situations in business dealings with the Group, and measures on bribery. We have also adopted a policy for employees to raise concerns about any improprieties, suspected misconduct or malpractice within the Group.

During the reporting year, we are not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, including the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong).

4.3 Community

4.3.1 Community Investment

We are committed to engaging in the community in which we operate so as to understand their needs and to ensure our activities taking into consideration the interests of our communities.

We make donations to various charitable organizations. During the reporting year, we had made a total of charitable contributions amounting to HK$4,842,000. We encouraged our staff to make personal donations to charities and participate in various charity events such as the Salvation Army Recycling Programme, Dress Casual Day of the Community Chest and China Resources Building – Annual Recycling Programme.

In addition, our London office has actively participated in charity activities to support the local communities.

The Tate Modern
In January 2019, the Group sponsored the Pierre Bonnard Exhibition at the Tate Modern and offered complimentary tickets to local schools and charities. Working closely with the Tate, the sponsorship has allowed the Group to bring art to a wide diverse community. By working with selected charities, the Group was able to offer much needed enjoyment to parents and carers of sick and underprivileged children.

The Leadenhall Building:

Young Citizens
The Group worked with Young Citizens to connect with young Londoners as they are the future employees and homeowners of the city. This helps the Young Londoners understand how working life in the City of London has changed and the opportunities that exist for all. After the classroom lessons involved learning about the rich history of the Leadenhall area, a class of 30 visited The Leadenhall Building so they can see first-hand what a modern working environment in a global financial hub is like.

Eastern City Cluster Partnership
As a member of the Eastern City Cluster Partnership, the Group is involved with a community focused Business Improvement District that has the local community at the heart of its development ambition. Priority has been pedestrian and cyclist transportation routes in collaboration with the Planning & Transportation team at the City of London Corporation. Between key landowners and businesses, the end goal is to encourage greater diversity and enhance the lived experience of the City for all inhabitants.

Sculptures in the City
The Group renewed its commitment to Sculptures in the City, a public art initiative that showcases pieces from internationally renowned artists across the Square Mile. For this the 9th edition, the Group partnered with Laurence Wiener, whose piece titled “ALL TOGETHER NOW” consists of a series of words each captured within its own rectangular frame of the buildings glass façade. Wieners works take on a new form in each of their iterations informed by the spaces they occupy.

LED-Talks
In the spirit of ideas worth spreading, LED-Talks is a program of The Leadenhall Building organised events that bring people from the building and the neighbouring community together to share in deep discussion and connection with speakers. In this initial year of the program, poignant topics such as mental health, self-belief, leadership and performing under pressure were addressed. The future plan for this program is to incorporate a small fee which will be donated to a chosen charity or serve as funding toward CSR initiatives.

LED-Talks program of The Leadenhall Building

Maggie's City Abseil

Maggie's City Abseil
In June 2019, The Leadenhall Building hosted Maggie's City Abseil (Maggie's offers free practical, emotional and social support to people with cancer and their families and friends), which involved over 100 participants abseiling the building from the 47th floor. The event raised approximately GBP80,000.

Lord Mayor's Appeal
September 2019 saw the Group support the "Tour De City" event for the Lord Mayor's Appeal's Just Giving Day which was held at The Leadenhall Building in the Public Space. The event involved individual company teams from around the city competing in a cycle tournament.

Rainbow Trust Children's Charity
In November, The Leadenhall Building hosted the Rainbow Trust Children's Charity who executed a fundraising stair climb. The event "Grate 48", saw a group of individuals climb 48 floors (1,258 steps) to raise money for the Rainbow Trust who provide emotional and practical support to families who have a child with a life threatening or terminal illness. The event raised approximately GBP100,000.

One Kingdom Street:

World Environment Day healthy eating workshop
World Environment Day is the United Nation's principle vehicle for encouraging awareness and action for the protection of the environment. To promote the day, a demonstration was held at One Kingdom Street to show how people could make their own healthy snacks to bring to work instead of buying goods with single-use packaging. Tips were also shared to showcase the ways people can reduce their day-to-day waste and carbon footprint.

World Environment Day healthy eating workshop at One Kingdom Street

Vodafone Foundation
The events program at One Kingdom Street was run in collaboration with the Vodafone Foundation. All money raised over the course of affiliated events will be donated to various charities that help support young women. The Vodafone Foundation invests in communities in which Vodafone operates. It is at the centre of a network of global and local social investment programmes.

Collaboration with Vodafone Foundation running events at One Kingdom Street

The Company is committed to maintaining a high standard of corporate governance. The Board considers that sound corporate management and governance practices are essential to the Company's healthy growth under all business environments.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors. Specific enquiries have been made on all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

Chaired by Mr. Cheung Chung Kiu, the Board currently consists of five executive directors and three independent non-executive directors. Names and other biographical details of the members of the Board are set out under the heading of "Directors' Profile" on pages 4 to 5. The Board determines and keeps under review the objectives of the Group. It makes decisions on overall strategies and actions necessary for achieving these objectives, monitors and controls financial and operating performance, formulates appropriate policies, and identifies and ensures best practices of corporate governance. The current structure and composition of the Board have provided it with an appropriate mix of skills, knowledge, experience and diversity. The Board reviews its structure and composition from time to time to ensure that appropriate expertise and independence are maintained.

The Company has received confirmation from each director that he has given sufficient time and attention to the affairs of the Company during the year. Directors have also disclosed to the Company the changes, if any, in the number and nature of offices they hold in public companies or organizations and other significant commitment, including the identity of the public companies or organizations and an indication of the time involved.

Set out below are details of directors' attendance of meetings in 2019:

	Attendance/Number of meetings held				
Name of Directors	**Regular Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Annual General Meeting**
Executive Directors					
Cheung Chung Kiu *(Chairman)*	4/4	–	1/1	1/1	1/1
Lam How Mun Peter *(Deputy Chairman & Managing Director)*	4/4	–	1/1	1/1	1/1
Wong Chi Keung *(Deputy Chairman)*	4/4	–	–	–	1/1
Leung Chun Cheong	4/4	–	–	–	1/1
Leung Wai Fai	4/4	–	–	–	1/1
Independent Non-executive Directors					
Lam Kin Fung Jeffrey	4/4	3/3	1/1	1/1	1/1
Leung Yu Ming Steven	4/4	3/3	1/1	1/1	1/1
Wong Lung Tak Patrick	4/4	3/3	1/1	1/1	1/1

During 2019, the independent non-executive directors have met once with the Chairman without the presence of the executive directors, to consider and discuss various matters in respect of the management and corporate governance of the Company.

The Chairman takes the primary responsibility for ensuring that good corporate governance practices and procedures are established. He sets the agenda for the Board and takes the lead in the formulation of objectives, strategies and actions at the directorate level. He ensures that members of the Board receive accurate, timely and clear information, and that matters to be taken into consideration are given their due weight, so that sound decisions can be made. With the assistance of the Company Secretary, the Chairman ensures that the Board properly exercises its powers, holds its meetings and implements procedures in compliance with all rules and requirements, and full and proper records are maintained. Procedures are also put in place for each director to have access to supporting papers and relevant information for each scheduled meeting. All directors also have access to the services of the Company Secretary and her team, and may take independent professional advice upon request, at the Company's expense.

The day-to-day management of the Group is delegated by the Board to the Managing Director who is supported by the various committees of the Board and management of the Company for recommending strategies to the Board, and determining and implementing operational decisions. The Managing Director assumes full accountability for the day-to-day management of the Group. All committees of the Board have specific terms of reference clearly defining their respective powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions or recommendations. Through participating in the Company's board meetings and committees meetings, attending general meetings, and participating in continuous professional development, all directors are able to make contribution required from them to the Board and to the development of the Company.

The Company provides directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company.

During 2019, all directors have participated in continuous professional development to develop and refresh their knowledge and skills as listed company directors. They have provided the Company with their records of the training they received for the year. A summary of the records is as follows:

Name of Directors	Training Received
Cheung Chung Kiu	Attending seminar, e-learning and reading materials regarding corporate governance and operation and management of listed companies
Lam How Mun Peter	Attending seminar regarding corporate governance and operation and management of listed companies
Wong Chi Keung	Attending seminars regarding corporate governance, finance and relevant industry
Leung Chun Cheong	E-learning regarding updates on rules and regulations relating to listed companies, corporate governance, operation and management of listed companies and finance
Leung Wai Fai	Attending seminars regarding updates on rules and regulations relating to listed companies, corporate governance, ethics and code of conduct and operation and management of listed companies; and e-learning regarding operation and management of listed companies, finance and relevant industry
Lam Kin Fung Jeffrey	Attending seminars regarding ethics and code of conduct and operation and management of listed companies; e-learning regarding updates on rules and regulations relating to listed companies, corporate governance and operation and management of listed companies; and reading materials regarding updates on rules and regulations relating to listed companies, ethics and code of conduct and operation and management of listed companies
Leung Yu Ming Steven	Attending seminars regarding updates on rules and regulations relating to listed companies, corporate governance, ethics and code of conduct, operation and management of listed companies and finance
Wong Lung Tak Patrick	Attending seminars regarding updates on rules and regulations relating to listed companies, corporate governance, ethics and code of conduct, finance and relevant industry

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate. The main responsibility of Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of the committees of the Board, Managing Director is responsible for the day-to-day management of the Group, recommending strategies to the Board, and determining and implementing operational decisions.

NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent. All non-executive directors are appointed for a specific term of not more than three years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to the Bye-laws.

BOARD COMMITTEES

The Board has set up the Executive Committee which comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board does not have a Corporate Governance Committee and its functions would be carried out by the Board as a whole.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Lam Kin Fung Jeffrey. The major roles and functions of the Audit Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Corporate Disclosure" and on the Stock Exchange's website.

The Audit Committee has reviewed together with the management and independent auditors the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including reviewing the Group's consolidated results for the year ended 31 December 2019. When reviewing the Company's interim and annual reports, the Audit Committee has focused not only on the impact of the changes in accounting policies and practices, but also on the compliance with applicable accounting standards, the Listing Rules and relevant legal requirements. It has also reviewed the financial statements before submission to the Board.

The Audit Committee has reviewed with the management, among other matters, the risk management and internal control systems covering all material controls, including financial, operational and compliance controls and risk management functions and the arrangements for employees to raise concerns in confidence about possible improprieties in financial reporting, internal control and other matters. The Audit Committee has reviewed the engagement of independent auditors and the effectiveness of the audit process.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises two executive directors, Mr. Cheung Chung Kiu and Dr. Lam How Mun Peter, and three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Leung Yu Ming Steven. The major roles and functions of the Remuneration Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Corporate Disclosure" and on the Stock Exchange's website.

The Remuneration Policy for executive directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the executive directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages competitive to attract, retain and motivate high quality executives to serve the Group. The fee for non-executive directors is determined with reference to each of their duties and level of responsibility with the Company and is reviewed on an annual basis. Details of the directors' remuneration for 2019 are set out in note 9 to the financial statements on pages 77 to 78.

During 2019, the Remuneration Committee has assessed the performance of the executive directors, reviewed and discussed, among other matters, the remuneration packages (including the annual performance bonus policy) of the executive directors, the remuneration of the non-executive directors, the existing share option scheme, the retirement benefit scheme and the long-term incentive arrangement. It has also reviewed the Remuneration Policy and its implementation. Being given the delegated responsibility, the Remuneration Committee has determined the remuneration packages of the executive directors of the Company.

NOMINATION COMMITTEE

The Nomination Committee currently comprises two executive directors, Mr. Cheung Chung Kiu and Dr. Lam How Mun Peter, and three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Cheung Chung Kiu. The major roles and functions of the Nomination Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Corporate Disclosure" and on the Stock Exchange's website.

The Nomination Committee is responsible for the nomination of directors pursuant to the Nomination Policy adopted by the Company. The Nomination Committee may identify potential candidates from any source as it may consider appropriate including without limitation its own contacts, referrals and recommendations including from other directors, members of management, the Company's advisors, and intermediary agencies retained at the Company's expense. To be eligible for consideration, a potential candidate must submit such information as may be required by the Nomination Committee for consideration. The Nomination Committee or its representatives, together with any directors the Nomination Committee considers appropriate, may interview the potential candidate identified. The Nomination Committee shall take into account all of the following criteria when evaluating an individual for nomination or appointment as director:

i. whether the individual is qualified to serve as a director and, where applicable, will qualify as an independent non-executive director under applicable laws and regulations including the Listing Rules;
ii. whether the individual is willing and able to serve as a director and to commit sufficient time and attention to the affairs of the Company;
iii. whether and how the individual can contribute to the Board, taking into account such factors including without limitation the individual's business and professional experience and qualifications, skills, education, knowledge, character and integrity;
iv. potential conflict of interests;
v. the requirement for Board diversity in accordance with the Company's policy on Board diversity; and
vi. such other factors as the Nomination Committee may from time to time consider appropriate and in the best interests of the Company and its shareholders as a whole.

The Nomination Committee shall select or make recommendations to the Board on the selection of the most appropriate candidates for election or appointment, including the proposed terms and conditions of appointment.

The Company has adopted a Board Diversity Policy setting out the approach to achieve a diverse Board. Taking into account factors including the size of the Board, its composition of executive and non-executive directors, and the Company's principal activities and needs, election of candidates shall be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All 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 2019, the Nomination Committee has held one meeting which was attended by all its members. It has reviewed and discussed, among other matters, (i) the structure, size and composition including the skills, knowledge, experience and diversity of the Board; (ii) the independence of independent non-executive directors of the Board; (iii) the re-appointment of directors and succession planning for directors; (iv) the recommendation for re-election of retiring directors; and (v) the Nomination Policy and the Board Diversity Policy and their implementation.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Corporate Governance Policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its Corporate Governance Policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

During 2019, members of the Board have reviewed and discussed, among other things, the Company's policies and practices on corporate governance at regular board meetings. They have also reviewed and monitored the training and continuous professional development of directors, and the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. The Board has reviewed the code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group.

INDEPENDENT AUDITORS' REMUNERATION

During 2019, the remuneration paid/payable to the Company's independent auditors, Messrs. Ernst & Young amounted to a total of HK$7,570,000, of which HK$5,320,000 was for audit services and HK$2,250,000 for non-audit services including agreed-upon procedures on the interim financial report, review and report on the financial information and tax services.

COMPANY SECRETARY

The Company Secretary has undertaken not less than 15 hours of relevant professional training during 2019.

SHAREHOLDERS' RIGHTS

The following is a brief summary of certain rights of shareholders, which are subject to applicable laws and regulations, including without limitation, the Companies Act, the Listing Rules and the Bye-laws.

1. Convening special general meeting

Members of the Company may, by a written requisition, require the Directors to convene an SGM for the transaction of any business specified in such requisition. A valid requisition may be made by a member or members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which at that date carries voting rights at general meetings of the Company. The requisition must state the purpose(s) of the requisitioned SGM, and must be signed by the requisitionist(s). The requisition may consist of several documents in like form each signed by one or more requisitionists, which must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary.

If the Directors fail to proceed to convene an SGM within 21 days from the date of deposit of the requisition, the requisitionist(s) (or any of them representing more than one-half of their total voting rights) may himself/themselves convene an SGM, which must be held within 3 months of the date of deposit of the requisition. The SGM must be convened by the requisitionist(s) in the same manner as nearly as possible as that in which SGM is to be convened by the Directors. The requisitionist(s) is/are entitled to be repaid any reasonable expenses he/they incur(s) as a result of the failure of Directors duly to convene an SGM. These expenses will be payable by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration to such defaulting Directors in respect of their services.

2. Putting forward proposals at shareholders' meetings

Members of the Company may by a written requisition and at their expense (unless the Company otherwise resolves) require the Company to:

(a) give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company; and/or
(b) circulate to members of the Company entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that general meeting.

A valid requisition may be made by either:

(a) any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition the right to vote at the meeting to which the requisition relates; or
(b) not less than 100 members of the Company.

The requisition signed by the requisitionists (or two or more copies which between them bear the signatures of all the requisitionists) must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary and,

(a) in the case of a requisition requiring notice of a resolution to be moved at an annual general meeting, not less than six weeks before the annual general meeting; and
(b) in the case of any other requisition, not less than one week before the general meeting.

The requisitionists must deposit or tender with the requisition a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

3. Proposing a person for election as director

Shareholders may propose a person for election as director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Corporate Disclosure".

4. Sending enquiries to the Board

Shareholders may send any enquiries to the Board by mail, email or telephone to the Company's Head of Investor Relations, whose contact details are as follows:

Address: 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Email: ccland@ccland.com.hk
Telephone: +852 2820 7315

INVESTOR RELATIONS

The Company has adopted a Shareholders Communication Policy. The use and effectiveness of such policy are monitored and reviewed regularly by the Board. The Company recognises the importance of shareholders' privacy and therefore will not disclose shareholders' information without their consent, unless required by law to do so. To achieve equal access to information on the Company's latest major developments, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website. In addition to financial reports, all announcements and circulars of the Company including results announcements, notices of general meetings and associated explanatory documents released by the Company to the Stock Exchange are posted on the Company's website under the column of "Corporate Disclosure". Other information such as presentation materials and press releases to be issued to shareholders and potential investors of the Company will also be made available on the Company's website. Shareholders should direct their questions about their shareholdings to the Company's share registrars. For enquiry about the information of the Company, shareholders may contact our Head of Investor Relations, whose contact details are set out under the heading of "Sending enquiries to the Board" above. Shareholders are encouraged to participate in the Company's general meetings where members of the Board will be available to answer their questions.

The Company has also adopted a Disclosure of Inside Information Policy. It sets out a framework for the release and control of inside information to ensure that the Company is able to meet its legal and regulatory obligations and requirements as a listed corporation. The Board is generally responsible for ensuring that the Group complies with its disclosure obligations regarding inside information and has established a disclosure group comprising certain directors and management to assist it in determining whether any particular information is inside information and overseeing and coordinating disclosure of inside information of the Group. Inside information should be disclosed by way of an announcement in accordance with the requirements of the SFO and the Listing Rules. Before relevant information is fully disclosed to the public, the disclosure group will help the Board to ensure that such information is kept strictly confidential.

The Company has adopted a Dividend Policy, which sets out the principle for determining the declaration or recommendation of dividends to Shareholders in such amount and manner, and at such time as may be determined or recommended by the Board from time to time but subject always to consideration of the following factors:

(a) the requirements of the Company's constitutional documents;
(b) the requirements of the Companies Act 1981 of Bermuda and any other applicable laws and regulations to which the Company is subject from time to time;
(c) any banking or other funding covenants by which the Group is bound from time to time;
(d) the operating requirements of the Group; and
(e) the interests of Shareholders.

The Board may take into consideration one or more of the following factors in determining the operating requirements of the Group referred to above:

(a) actual and expected financial results of the Group;
(b) liquidity, cashflow and gearing position of the Group;
(c) capital and other reserve requirements of the Group;
(d) position of retained earnings and other distributable reserves of the Group;
(e) general business conditions and strategies of the Group;
(f) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
(g) any other factors the Board may deem relevant and/or appropriate.

The Company's constitutional documents are made available on the Company's website in the section of "Corporate Governance" under the column of "Corporate Disclosure" and on the Stock Exchange's website. During the year, there was no significant change in them.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The Board recognizes that the Group's risk management and internal control systems play a key role in the identification, evaluation and management of risks faced by the Group, the assurance of continued compliance with laws and regulations by the Group, and the provision of reasonable assurance on the Group against material misstatement, error, loss or fraud. The Board appreciates that the Group is exposed to risks in achieving its business objectives and strives to maintain such risks at acceptable level through the design, implementation and monitoring of effective risk management and internal control systems.

The risk management and internal control systems are established within the Company and its subsidiaries for facilitating effective operations, for safeguarding assets against unauthorized use, for maintaining proper accounting records, for ensuring the reliability of financial reporting and information, and for ensuring compliance with applicable laws and regulations. The establishment of risk management and internal control systems involves identifying the key functions carried out by the Group, the individual activities undertaken within those functions, the risks associated with each activity in achieving the Group's business objectives, evaluating the potential impact and acceptable level of such risks, developing and monitoring the effectiveness of procedures to manage and to minimise the identified risks, having regard to the particular circumstances of the Group including business operations, operating environment, compliance with applicable laws and regulations and financial reporting requirements. As part of the risk management and internal control systems, functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Company, and to facilitate proper handling and dissemination of inside information. A formal annual review of these procedures is carried out by the Board. In addition, the Board also receives updates from the Internal Audit department on areas that specifically affect the Company.

The Company has maintained an internal audit function which forms part of the permanent establishment of the Group and is internally resourced and staffed by qualified accounting personnel with suitable experience. The internal audit function carries out analysis and independent appraisal on the adequacy and effectiveness of the Group's risk management and internal control systems. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Audit Committee has kept under review the Group's risk management and internal control systems and the effectiveness of the internal audit function. Based on its review, the Audit Committee advises the Board on the effectiveness of the Group's risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board has also conducted an annual review of the effectiveness of the Group's risk management and internal control systems, and considered the work of the internal audit function and advice from the Audit Committee in this regard. During the year under review, the Board considers that the Group has complied with the provisions on risk management and internal controls as stipulated in the CG Code. The Board is satisfied that the Group's risk management and internal control systems including financial, operational and compliance controls as appropriate to the Group have been put in place, effective and adequate, and that no significant areas of improvement have been revealed.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company, Messrs. Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 35 to 38.

The Directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries focus on property development and investment, as well as treasury investments, details of which are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 and the Group's financial position at that date are set out in the financial statements on pages 39 to 129.

The Directors recommend the payment of a final dividend of HK$0.02 per ordinary share in respect of the year to the shareholders on the Company's register of members at the close of business on 26 May 2020.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 130. The summary does not form part of the audited financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the year and a description of possible risks and uncertainties facing the Group are set out in the Chairman's Statement on pages 6 to 7 and Management Discussion and Analysis on pages 8 to 14 respectively. No significant events affecting the Group have occurred subsequent to the reporting period. An indication of the likely future development in the Group's business is set out in the Chairman's Statement on pages 6 to 7 and Management Discussion and Analysis on pages 8 to 14 respectively. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Financial Highlights on page 3 and the Five-Year Financial Summary on page 130. Discussions on the Group's compliance with the relevant laws and regulations that have a significant impact on the Group are set out in Corporate Governance Report on pages 22 to 28 and Environmental and Social Responsibilities Report on pages 16 to 21 respectively. An account of the Group's environmental policies and performance, the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are set out in the Environmental and Social Responsibilities Report on pages 16 to 21. These discussions form part of this Directors' Report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision in the Companies Act or in the Bye-laws.

PERMITTED INDEMNITY

The Bye-laws provides that Directors and other officers shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. Such provision was in force during the year. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers.

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

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 44 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to shareholders, calculated in accordance with the Companies Act, amounted to HK$278,029,000, of which HK$77,647,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account in the amount of HK$11,977,078,000 may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group had made charitable contributions amounting to HK$4,842,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue from the Group's five largest customers accounted for 50% of the Group's revenue and revenue from the largest customer included therein amounted to 17%. There was no purchase from suppliers by the Group during the year.

During the year, none of the Directors, their close associates or shareholders, who to the knowledge of the Directors own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers.

The Group understands that customers and suppliers are important to the sustainable and stable development of its business. The Group conducts assessment process from time to time to evaluate the performance of its contractors and implement third-party certification to ensure the performance of its suppliers. Our work relating to social and environmental with our suppliers was set out in "Environmental and Social Responsibilities Report" on pages 16 to 21.

DIRECTORS

The Directors during the year and for the period from 1 January 2020 to the date of this report were as follows:

Executive directors:

Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter *(Deputy Chairman and Managing Director)*
Mr. Wong Chi Keung *(Deputy Chairman)*
Mr. Leung Chun Cheong
Mr. Leung Wai Fai

Independent non-executive directors:

Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

In accordance with Bye-law 87 of the Bye-laws, Dr. Lam How Mun Peter, Mr. Leung Chun Cheong and Dr. Wong Lung Tak Patrick will retire and, being eligible, have offered themselves for re-election at the AGM. All other Directors will continue to be in office.

The Company has received from each of the independent non-executive directors, Messrs. Lam Kin Fung Jeffrey, Leung Yu Ming Steven and Wong Lung Tak Patrick, an annual written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent.

DIRECTORS' BIOGRAPHIES

Updated biographical details of the Directors existing as at the date of this report are set out on pages 4 to 5.

DIRECTORS' SERVICE CONTRACTS

No Director offering for re-election at the AGM has a service contract with any company in the Group which is not terminable by such company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested in, either directly or indirectly, was subsisting during the year or at the end of the year.

MANAGEMENT CONTRACTS

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

REMUNERATION DETAILS

Details of the Directors' remuneration and the five highest-paid individuals in the Group are set out in notes 9 and 10 to the financial statements respectively.

REMUNERATION POLICY

The remuneration policy for employees of the Group is formulated based on the merit, qualifications, performance and competence of individual employee which are reviewed regularly in order to provide competitive compensation packages at market rates sufficient to reward satisfactory performance and attract, retain and motivate employees. The Company has adopted share option scheme as a long-term incentive to eligible employees and directors to recognize and reward their contribution to the Group, details of which are set out in note 35 to the financial statements. Remuneration policy for Directors is set out in Corporate Governance Report on pages 22 to 28.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2019, details of the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in shares of the Company (long positions)

Name of directors	Interests in shares		Interests in underlying shares pursuant to share options granted by the Company [2]	Aggregate interests	Approximate percentage [3]
	Personal interests	Corporate interests			
Cheung Chung Kiu	–	2,057,254,906 [1]	–	2,057,254,906	52.99
Lam How Mun Peter	486,753	–	25,911,869	26,398,622	0.68
Leung Chun Cheong	667,000	–	1,521,900	2,188,900	0.06
Leung Wai Fai	–	–	3,043,800	3,043,800	0.08

Notes:

1. Such Shares were held directly by Fame Seeker Holdings Limited, which was wholly-owned by Windsor Dynasty Limited ("Windsor Dynasty"), which was in turn wholly-owned by Cheung Chung Kiu ("Mr. Cheung").

2. Details of the directors' interests in the underlying shares of the Company pursuant to share options granted by the Company are set out in the section headed "Share Options" below.

3. Approximate percentage refers to the aggregate interests of a director in the shares of the Company expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions" above and "Share Options" below, and in the share option scheme disclosures set out in note 35 to the financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement 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, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

SHARE OPTIONS

The Company adopted a share option scheme on 29 April 2005 ("2005 Scheme"), which expired on 29 April 2015. Details of the 2005 Scheme were disclosed in the Company's circular dated 13 April 2005 and are set out in note 35 to the financial statements. Movements of the 2005 Scheme during the year were set out below:

	Number of share options									
Name or category of participants	At 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2019	Date of grant [1] (dd-mm-yyyy)	Exercise period (dd-mm-yyyy)	Exercise Price [2] HK$ per share	Closing price immediately before date of grant HK$ per share
Directors										
Lam How Mun Peter	17,755,500	–	–	–	17,755,500	0	07-05-2009	07-05-2009 to 06-05-2019	3.2229	3.47
	21,853,469	–	–	–	–	21,853,469	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	4,058,400	–	–	–	–	4,058,400	03-09-2010	01-01-2011 to 02-09-2020	3.2624	3.19
	43,667,369	–	–	–	17,755,500	25,911,869				
Leung Chun Cheong	1,521,900	–	–	–	–	1,521,900	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
Leung Wai Fai	3,043,800	–	–	–	–	3,043,800	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	48,233,069	–	–	–	17,755,500	30,477,569				
Employees	10,247,460	–	–	–	101,460	10,146,000	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	811,680	–	–	–	–	811,680	03-09-2010	01-01-2011 to 02-09-2020	3.2624	3.19
	11,059,140	–	–	–	101,460	10,957,680				
Others	4,870,080	–	–	–	–	4,870,080	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
Total	64,162,289	–	–	–	17,856,960	46,305,329				

Notes:

1. Certain share options granted are subject to a vesting period beginning from the date of grant until the commencement of the exercise period.

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

On 21 May 2015, the Company adopted a share option scheme ("2015 Scheme"), details of which were disclosed in the Company's circular dated 16 April 2015 and are set out in note 35 to the financial statements. No share options have been granted under 2015 Scheme since its adoption and up to 31 December 2019.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme described above, the Group has not entered into any equity-linked agreements during the year.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2019, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held	Approximate percentage [2]
Windsor Dynasty	Interest of controlled corporation	2,057,254,906 [1]	52.99

Notes:

1. Please refer to Note 1 to the paragraph "Interests in shares of the Company (long positions)" of the section headed "Directors' and Chief Executive's Interests and Short Positions" above.

2. Approximate percentage refers to the aggregate interest which the shareholder held or had short positions in the shares of the Company expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2019.

3. All of the interests disclosed above represent long positions.

Save as disclosed above, as at 31 December 2019, the Company had not been notified of any interests or short positions of any other person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, one of the existing Directors held interests in business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group as follows.

Mr. Cheung was an executive director of Y. T. Realty Group Limited ("Y.T. Realty") (the shares of which are listed on the Main Board of the Stock Exchange) and was deemed to be interested in 17.10% (as at 31 December 2019) of the issued shares of Y.T. Realty. Y.T. Realty is an investment holding company and the principal activities of its subsidiaries include property investment and property trading. Mr. Cheung also had personal interests in certain private companies engaged in property investment and property management services businesses. As such, Mr. Cheung is regarded as being interested in a business which may compete with the business of the Group.

The Directors are aware of the fiduciary duties of Mr. Cheung to the Company and that he must, in the performance of his duty as a director, avoid actual and potential conflicts of interest and duty, and not to profit himself to the detriment of the Company. Further, there are provisions in the Bye-laws prohibiting a Director from voting, or being counted in the quorum, on any resolution of the Board approving any contract or arrangement or any other proposal in which the Director or any of his/her associate(s) is materially interested in except for certain permitted matters. The Directors are therefore of the view that the Company is capable of carrying on the Group's business independently of, and at arm's length from, such business in which any Director is regarded as being interested and which may compete with the business of the Group.

RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting principles. Details of these transactions are set out in note 39 to financial statements.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

As disclosed by the Company in its announcement dated 20 December 2019 (the "Announcement"), relevant advances amounting to GBP245,594,470 had been made by the Group to the JV Group on 20 December 2019 on an interest-free and unsecured basis with no fixed repayment term in support of the obligations of the Obligors (all being members of the JV Group) in the form of the Cost Overrun Guarantee and the CCL Equity Contribution Guarantee both dated 20 December 2019 and made between the Company and the Common Security Agent[1]. As at 31 December 2019, such relevant advances made by the Group to the JV Group remained at GBP245,594,470 on an interest-free and unsecured basis with no fixed repayment term, and continued to exceed 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules for the Company. Please refer to the Announcement and the circular issued by the Company dated 24 January 2020 for further details of the relevant advances made by the Group to the JV Group.

Note:

1. All capitalized terms used in this section have the same meanings ascribed to them in the Announcement.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 9 October 2019, the Company was granted a 36-month term loan facility for an aggregate amount of HK$2,300,000,000 under a facility agreement, pursuant to which, it is (among other matters) an event of default if Mr. Cheung, save for certain exceptions, (i) directly or indirectly, is not or ceases to be the shareholder holding the largest shareholding of the Company; (ii) does not or ceases to hold beneficially (directly or indirectly) of 35% or more of the issued share capital of the Company (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital); or (iii) does not or ceases to have control of the Company. Upon the occurrence of an event of default which is continuing, commitments of the lenders or any part thereof under the facility agreement may immediately be cancelled, and/or all or any part of the loans under the facility, together with accrued interest, and all other amounts accrued or outstanding under the facility agreement and other ancillary finance documents may become immediately due and payable, and/or all or any part of the loans under the facility may become payable on demand. As at 31 December 2019, this loan facility was unutilized.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

The Group had provided financial assistance to, and guarantee for, affiliated companies in the aggregate amount of HK$6,266,056,000, which represented approximately 21.3% of the Group's total assets as at 31 December 2019.

In accordance with the requirement under Rule 13.22 of the Listing Rules, the pro forma combined balance sheet of those affiliated companies as at 31 December 2019 is presented below:

	Combined balance sheet HK$'000
Non-current assets	684,557
Current assets	18,442,021
Current liabilities	(4,413,025)
Non-current liabilities	(5,761,865)
Net assets	8,951,688
Share capital	4
Reserves	8,949,015
Non-controlling interests	2,669
Total Equity	8,951,688

As at 31 December 2019, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$2,984,201,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the year and up to the date of this report as required under the Listing Rules.

INDEPENDENT AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as independent auditors of the Company will be proposed at the AGM.

On behalf of the Board

Cheung Chung Kiu
Chairman

Hong Kong, 20 March 2020

EY 安永

To the shareholders of C C Land Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of C C Land Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 39 to 129, 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 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 FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matters	How our audit addressed the key audit matter
Valuations of investment properties	
As at 31 December 2019, the Group's investment properties amounted to HK$14,902,298,000 and were measured at fair value. The fair values of the investment properties were determined based on valuations performed by a professional external valuer. Significant estimation is required to determine the fair values of investment properties, which reflect market conditions at the end of the reporting period. Management engaged an external valuer to perform valuations on these investment properties at the end of the reporting period and in the absence of current prices in an active market for similar properties, the external valuer considered information from a variety of sources such as the estimated rental value of the relevant properties and made assumptions about capitalisation rates. The accounting estimates and disclosures of valuations of investment properties are included in notes 3 and 15 to the consolidated financial statements, respectively.	Our audit procedures to assess the valuations of investment properties included the following: • obtaining and reviewing the valuation reports prepared by the external valuer engaged by the Group; • assessing the external valuer's qualifications, experience and expertise and considering its objectivity and independence; • involving our internal valuation specialists to assist us to assess the valuation methodologies applied and the key assumptions and estimates adopted in the valuations; • comparing property-related data used as inputs for the valuations with underlying lease agreements and related documentation; and • assessing the adequacy of the disclosures of the valuations of the investment properties in the consolidated financial statements.
Impairment assessments of loans receivable and deposits and other receivables	
As at 31 December 2019, the Group had loans receivable and deposits and other receivables, before impairment allowance, amounting to HK$902,860,000 and HK$661,865,000, respectively. Impairment allowances provided for loans receivable and deposits and other receivables as at 31 December 2019 amounted to HK$14,012,000 and HK$1,735,000, respectively. Significant management judgement and estimates are required in determining the impairment losses of the related loans receivable and deposits and other receivables under the expected credit loss model in accordance with HKFRS 9 *Financial Instruments* ("HKFRS 9"). Management applied the general approach in calculating expected credit losses under HKFRS 9 for the related loans receivable and deposits and other receivables and engaged an external valuer to assess the credit risk of each debtor and prepare the expected credit loss calculations. The external valuer applied various elements, which involved forward-looking information and expected future cash flows, in assessing the expected credit losses.	Our audit procedures to assess the impairment assessments of the loans receivable and deposits and other receivables included the following: • evaluating the Group's processes and controls over the approvals and recording of the loans receivable and deposits and other receivables; • reviewing the background information and repayment capacity of the debtors such as credit assessment prepared by management and public information about the financial strength of the debtors; • reviewing the repayment history and settlements received subsequent to the reporting period from the debtors; • obtaining and reviewing the expected credit loss calculations prepared by the external valuer engaged by the Group; • assessing the external valuer's qualifications, experience and expertise and considering its objectivity and independence; • involving our internal valuation specialists to assist us to assess the methodologies applied and the key assumptions and estimates adopted in the expected credit loss calculations;

KEY AUDIT MATTERS *(continued)*

Key audit matters	How our audit addressed the key audit matter
Impairment assessments of loans receivable and deposits and other receivables (continued)	
The accounting judgements and estimates and details of the Group's loans receivable and deposits and other receivables are included in notes 3, 22 and 23 to the consolidated financial statements.	Our audit procedures to assess the impairment assessments of the loans receivable and deposits and other receivables included the following: *(continued)* • comparing the details of the loans receivable and deposits and other receivables used as inputs for the expected credit loss calculations with underlying documentation, such as loan agreements; and • assessing the adequacy of the disclosures of the impairment assessments of loans receivable and deposits and other receivables in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Cheuk Keung.

Ernst & Young
Certified Public Accountants
Hong Kong

20 March 2020

	Notes	2019 HK$'000	2018 HK$'000
REVENUE:			
Interest income	5	**89,116**	72,418
Revenue from other sources	5	**475,520**	578,686
Total revenue		**564,636**	651,104
Cost of services provided		**(9,341)**	(5,474)
Gross profit		**555,295**	645,630
Other income and gains, net	5	**502,842**	191,528
Administrative expenses		**(384,899)**	(297,059)
Reversal of impairment losses/(impairment losses) on financial assets, net	8	**13,978**	(28,890)
Other expenses	6	**(110,643)**	(182,911)
Finance costs	7	**(278,426)**	(245,874)
Share of profits and losses of:			
Joint ventures		**136,532**	55,131
Associates		**(32,913)**	53,015
PROFIT BEFORE TAX	8	**401,766**	190,570
Income tax credit/(expense)	11	**12,257**	(19,471)
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**414,023**	171,099
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted		**HK10.66 cents**	HK4.41 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR		**414,023**	171,099
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income:			
Changes in fair value		**11,998**	(38,636)
Reclassification adjustment for gains/losses included in the consolidated statement of profit or loss			
– impairment losses/(reversal of impairment losses), net	19	**(59)**	4,972
– gain on redemption		**(1,163)**	–
		10,776	(33,664)
Exchange differences:			
Translation of foreign operations		**230,004**	(463,904)
Hedges of net investments in foreign operations			
– effective portion of changes in fair value of hedging instruments during the year		**(45,205)**	269,931
		184,799	(193,973)
Share of other comprehensive income/(loss) of joint ventures		**47,453**	(49,869)
Share of other comprehensive loss of associates		**(1,604)**	(21,723)
Release of other comprehensive income of an associate upon disposal of a subsidiary	34	**19,660**	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**261,084**	(299,229)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income:			
Changes in fair value		**(214,562)**	488,318
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**(214,562)**	488,318
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**46,522**	189,089
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**460,545**	360,188

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property and equipment	14	**301,405**	105,681
Investment properties	15	**14,902,298**	14,394,511
Golf club membership		**10,540**	10,540
Investments in joint ventures	17	**2,589,186**	2,736,999
Investments in associates	18	**574,221**	914,929
Financial assets at fair value through other comprehensive income	19	**816,872**	1,291,140
Financial assets at fair value through profit or loss	20	**605,720**	1,445,963
Prepayments, deposits and other receivables	23	**8,052**	280,808
Derivative financial instruments	27	**3,247**	72,394
Deferred tax assets	30	**2,312**	4,938
Total non-current assets		**19,813,853**	21,257,903
CURRENT ASSETS			
Trade receivables	21	**9,449**	5,679
Loans and interest receivables	22	**899,140**	570,677
Prepayments, deposits and other receivables	23	**1,180,852**	92,523
Financial assets at fair value through other comprehensive income	19	**198,615**	76,822
Financial assets at fair value through profit or loss	20	**300,980**	191,995
Derivative financial instruments	27	**–**	56,540
Prepaid income tax		**4,107**	3,565
Deposits with brokerage companies	24	**10,394**	11,238
Pledged deposits	25	**965,000**	1,327,500
Restricted bank balances	25	**67,088**	142,907
Cash and cash equivalents	25	**6,029,457**	4,701,508
Total current assets		**9,665,082**	7,180,954
CURRENT LIABILITIES			
Other payables and accruals	26	**312,542**	514,500
Interest-bearing bank borrowings	28	**1,053,549**	2,288,458
Tax payable		**768,185**	764,300
Total current liabilities		**2,134,276**	3,567,258
NET CURRENT ASSETS		**7,530,806**	3,613,696
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,344,659**	24,871,599
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**7,894,382**	7,728,486
Notes payable	29	**1,922,845**	–
Other payables	26	**20,716**	–
Deferred tax liabilities	30	**328**	19,623
Total non-current liabilities		**9,838,271**	7,748,109
Net assets		**17,506,388**	17,123,490
EQUITY			
Issued capital	31	**388,233**	388,233
Reserves	32	**17,118,155**	16,735,257
Total equity		**17,506,388**	17,123,490

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

		Attributable to equity owners of the Company							
	Notes	Issued capital HK$'000	Share premium account HK$'000	Exchange fluctuation reserve** HK$'000	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2018		388,233	11,977,078	98,303	11,593	267,137	165,272	3,933,333	16,840,949
Profit for the year		–	–	–	–	–	–	171,099	171,099
Other comprehensive income for the year:									
Debt investments at fair value through other comprehensive income:									
Changes in fair value		–	–	–	(38,636)	–	–	–	(38,636)
Reclassification adjustment for impairment losses included in the consolidated statement of profit or loss		–	–	–	4,972	–	–	–	4,972
Equity investments at fair value through other comprehensive income									
Changes in fair value		–	–	–	–	488,318	–	–	488,318
Share of other comprehensive loss of joint ventures		–	–	(49,869)	–	–	–	–	(49,869)
Share of other comprehensive loss of associates		–	–	(21,723)	–	–	–	–	(21,723)
Exchange differences:									
Translation of foreign operations		–	–	(463,904)	–	–	–	–	(463,904)
Hedges of net investments in foreign operations – effective portion of changes in fair value of hedging instruments during the year	42	–	–	269,931	–	–	–	–	269,931
Total comprehensive income for the year		–	–	(265,565)	(33,664)	488,318	–	171,099	360,188
Final 2017 dividend approved		–	–	–	–	–	–	(77,647)	(77,647)
Reclassification adjustment for a gain on disposal of equity investments at fair value through other comprehensive income	19(i)	–	–	–	–	(20,531)	–	20,531	–
At 31 December 2018		388,233	11,977,078*	(167,262)*	(22,071)*	734,924*	165,272*	4,047,316*	17,123,490

	Notes	Issued capital HK$'000	Share premium account HK$'000	Exchange fluctuation reserve** HK$'000	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
		Attributable to equity owners of the Company							
At 1 January 2019		388,233	11,977,078	(167,262)	(22,071)	734,924	165,272	4,047,316	17,123,490
Profit for the year		–	–	–	–	–	–	414,023	414,023
Other comprehensive income for the year:									
Debt investments at fair value through other comprehensive income:									
Changes in fair value		–	–	–	11,998	–	–	–	11,998
Reclassification adjustment for gains included in the consolidated statement of profit or loss									
– reversal of impairment losses, net		–	–	–	(59)	–	–	–	(59)
– gain on redemption		–	–	–	(1,163)	–	–	–	(1,163)
Equity investments at fair value through other comprehensive income									
Changes in fair value		–	–	–	–	(214,562)	–	–	(214,562)
Share of other comprehensive income of joint ventures		–	–	47,453	–	–	–	–	47,453
Share of other comprehensive loss of associates		–	–	(1,604)	–	–	–	–	(1,604)
Release of other comprehensive income of an associate upon disposal of a subsidiary	34	–	–	19,660	–	–	–	–	19,660
Exchange differences:									
Translation of foreign operations		–	–	230,004	–	–	–	–	230,004
Hedges of net investments in foreign operations									
– effective portion of changes in fair value of hedging instruments during the year	42	–	–	(45,205)	–	–	–	–	(45,205)
Total comprehensive income for the year		–	–	250,308	10,776	(214,562)	–	414,023	460,545
Final 2018 dividend approved		–	–	–	–	–	–	(77,647)	(77,647)
Lapse of share options	35	–	–	–	–	–	(26,453)	26,453	–
Reclassification adjustment for a gain on disposal of equity investments at fair value through other comprehensive income	19(i)	–	–	–	–	(51,885)	–	51,885	–
At 31 December 2019		388,233	11,977,078*	83,046*	(11,295)*	468,477*	138,819*	4,462,030*	17,506,388

* These reserve accounts comprise the consolidated reserves of HK$17,118,155,000 (2018: HK$16,735,257,000) in the consolidated statement of financial position.

** The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**401,766**	190,570
Adjustments for:			
Depreciation of owned assets	8	**29,424**	4,869
Depreciation of right-of-use assets	8	**21,731**	–
Impairment losses/(reversal of impairment losses) on financial assets, net	8	**(13,978)**	28,890
Finance costs	7	**278,426**	245,874
Share of profits and losses of joint ventures	4	**(136,532)**	(55,131)
Share of profits and losses of associates	4	**32,913**	(53,015)
Interest income from debt investments	5	**(47,107)**	(20,866)
Interest income from loans receivable	5	**(42,009)**	(51,552)
Dividend income from listed equity investments	5	**(4,419)**	(12,513)
Dividend income from unlisted fund investments	5	**–**	(50,297)
Bank interest income	5	**(89,895)**	(40,942)
Fair value losses on financial assets at fair value through profit or loss, net	6	**5,661**	119,717
Fair value losses/(gains) on derivative financial instruments – transaction not qualifying as hedges	5, 6	**68,306**	(35,767)
Fair value losses/(gains) on ineffectiveness of hedges of net investments in foreign operations	5, 6	**18,311**	(18,311)
Fair value gains on investment properties, net	5	**(165,297)**	(46,741)
Gains on disposal of financial assets at fair value through profit or loss, net	5	**(105,565)**	(47,030)
Gain on redemption of debt investments at fair value through other comprehensive income	5	**(1,163)**	–
Loss on disposal of items of property and equipment	6	**37**	–
Gain on disposal of subsidiaries	5	**(140,290)**	–
Lease incentives	15	**64,300**	61,800
		174,620	219,555
Increase in trade receivables		**(3,536)**	(695)
Increase in loans receivable		**(321,930)**	(450,000)
Decrease/(increase) in prepayments, deposits and other receivables		**(17,272)**	31,563
Decrease in financial assets at fair value through profit or loss		**37,234**	59,992
Decrease in deposits with brokerage companies		**844**	1,552
Decrease in restricted bank balances		**78,214**	16,981
Decrease in other payables and accruals		**(130,467)**	(206,418)
Cash used in operations		**(182,293)**	(327,470)
Interest received		**103,537**	48,502
Dividends received		**4,419**	62,810
Tax refunded/(paid), net		**1,930**	(101,765)
Interest paid		**(245,458)**	(220,657)
Net cash flows used in operating activities		**(317,865)**	(538,580)

	Notes	2019 HK$'000	2018 HK$'000
Net cash flows used in operating activities		**(317,865)**	(538,580)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries that are not a business	33	**(73,785)**	–
Proceeds from disposal of a subsidiary	34	**330,864**	–
Return of capital from/(investment in) joint ventures, net		**(372,393)**	626,309
Dividend received from a joint venture		**195,918**	–
Investments in associates		**(118,036)**	(735,831)
Decrease in balances with associates		**–**	943
Distribution received from an associate		**90,172**	78,367
Decrease in pledged deposits		**362,500**	3,745,250
Additions to an investment property	15	**(315)**	(15,059)
Deposits paid for acquisition of associates		**–**	(256,034)
Advance to a joint venture partner for the establishment of an associate		**(310,064)**	–
Purchases of items of property and equipment	14	**(42,342)**	(10,871)
Purchases of debt investments at fair value through other comprehensive income		**–**	(269,313)
Purchases of financial assets at fair value through profit or loss		**(69,928)**	(274,747)
Interest received from bank deposits		**85,852**	40,942
Proceeds from disposal of items of property and equipment		**448**	63
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**67,334**	313,103
Proceeds from redemption of debt investments at fair value through other comprehensive income		**78,663**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**928,272**	413,286
Proceeds from the termination of forward currency contracts		**11,780**	–
Net cash flows from investing activities		**1,164,940**	3,656,408
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of notes payable	29	**1,919,392**	–
Principal portion of lease payments	16(b)	**(18,745)**	–
Dividends paid		**(77,647)**	(77,647)
New bank borrowings		**2,518,767**	6,632,292
Repayment of bank borrowings		**(3,842,769)**	(9,654,572)
Net cash flows from/(used in) financing activities		**498,998**	(3,099,927)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,346,073**	17,901
Cash and cash equivalents at beginning of year		**4,701,508**	4,719,984
Effect of foreign exchange rate changes, net		**(18,124)**	(36,377)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,029,457**	4,701,508
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**4,379,539**	4,351,455
Non-pledged time deposits with original maturity of less than three months when acquired		**1,649,918**	350,053
Cash and cash equivalents as stated in the consolidated statement of cash flows		**6,029,457**	4,701,508

1. CORPORATE AND GROUP INFORMATION

C C Land Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The address of the principal place of business of the Company is 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

(i) property development and investment; and

(ii) treasury investment.

In the opinion of the directors of the Company, the immediate holding company of the Company is Fame Seeker Holdings Limited, which is incorporated in the British Virgin Islands ("BVI"), and the ultimate holding company of the Company is Windsor Dynasty Limited, which is incorporated in the BVI.

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
C C Land Finance Limited	Hong Kong	Ordinary HK$2	100	Treasury investment
C C Land Management Limited	Hong Kong	Ordinary HK$1	100	Corporate management
C C Land Portfolio Inc.#	BVI	Ordinary US$1	100	Treasury investment
Captain Fantastic Limited#	BVI	Ordinary US$1	100	Investment holding
Cheer Profit Investments Limited#	BVI	Ordinary US$1	100	Investment holding
Classical Noble Limited#	BVI	Ordinary US$1	100	Investment holding
Ever Channel Investments Limited#	BVI	Ordinary US$1	100	Investment holding
Everwin Global Holdings Limited#	BVI	Ordinary US$1	100	Investment holding
Fancy Style Investments Limited ("Fancy Style")#	BVI	Ordinary US$200	100	Vessel management
Fortune Point Holdings Limited####	BVI/United Kingdom	Ordinary US$1	100	Property investment
Fortune Sail International Limited####	BVI/United Kingdom	Ordinary US$1	100	Property investment
Global Palace Investments Limited	BVI/Hong Kong	Ordinary US$1,000	100	Property holding
Green Charm Investments Limited#/####	BVI	Ordinary US$1	100	Investment holding
Honour Sky Holdings Limited#	BVI	Ordinary US$1	100	Investment holding
Hugo Delight Limited	Hong Kong	Ordinary HK$10,000	100	Property holding
Join Wise Enterprises Limited	Hong Kong	Ordinary HK$1	100	Treasury management
Jubilee Summer Limited#	BVI	Ordinary US$1	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Leadenhall Holding Co (Jersey) Ltd####	Jersey	Ordinary GBP428	100	Investment holding
Leadenhall Property Co (Jersey) Ltd####	Jersey	Ordinary GBP400	100	Property investment
Marvel Leader Investments Limited ("Marvel Leader")#	BVI	Ordinary US$50,000	100	Investment holding
Massive Vast Group Limited#	BVI	Ordinary US$1	100	Investment holding
Mega Star International Investment Limited#	Hong Kong	Ordinary HK$1	100	Investment holding
Mighty Gain Enterprises Limited ("Mighty Gain")#	BVI	Ordinary US$1	100	Investment holding
Novel Sky International Limited#	BVI	Ordinary US$1	100	Investment holding
Oceanic Front Limited ("Oceanic Front")#	BVI	Ordinary US$2	100	Yacht investment
Perfect Gain Enterprises Limited#	BVI	Ordinary US$1	100	Treasury investment
Perfect Point Ventures Limited#	BVI	Ordinary US$1	100	Treasury management
Profit Vast Investment Limited	Hong Kong	Ordinary HK$1	100	Treasury investment
Season Fit Limited#	BVI	Ordinary US$1	100	Investment holding
Smart Harmony Developments Limited#	BVI	Ordinary US$1	100	Investment holding
Sun Vessel Global Limited ("Sun Vessel")#	BVI	Ordinary US$200	100	Vessel investment
Universal Mission Limited#	BVI	Ordinary US$1	100	Investment holding
Win Mount Development Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Worthwell Investments Limited	BVI/Hong Kong	Ordinary US$50,000	100	Treasury investment

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Chengdu Hui Fan Yue Sheng Enterprise Management Consulting Co., Ltd*/### (成都滙帆悦昇企業管理有限公司)	The People's Republic of China ("PRC")/ Mainland China	RMB10,000,000	100	Investment holding
Sichuan Zhong Yu Real Estate Company Limited*/## (四川中渝置地有限公司)	PRC/Mainland China	Registered US$15,000,000	100	Property development and investment
Tibet Huixing Yuejing Corporate Management Services Limited*/### (西藏滙星悦景企業管理服務有限公司)	PRC/Mainland China	Registered RMB20,000,000	100	Investment holding and management

These companies have no specific principal place of operations.

This company is registered as a wholly-foreign-owned enterprise under PRC law.

These companies are registered as limited liability companies under PRC law.

At 31 December 2019, the equity interests of these companies were pledged to certain banks to secure bank borrowings of HK$7,962,101,000 (2018: HK$8,794,532,000) granted to the Group (note 28).

* The English names of these companies are not official. They are direct translation from the Chinese names and are for identification purposes only.

Except for Marvel Leader and Mighty Gain, the equity interests of all principal subsidiaries are indirectly held by the Company.

During the year ended 31 December 2019, the Group acquired the remaining 50% equity interest in each of Sun Vessel, Oceanic Front and Fancy Style from the Group's joint venture partners. Further details of these acquisitions are included in note 33 to the financial statements.

During the year ended 31 December 2019, the Group disposed of certain subsidiaries to independent third parties. Further details of these disposals are included in note 34 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int *27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised in the opening balances of the statement of financial position as at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables and accruals. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets as part of the elements of property and equipment in the statement of financial position. The right-of-use assets also include the leasehold land recognised previously under finance leases of HK$86,066,000 that were reclassified from land and buildings.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application when applying HKFRS 16 at 1 January 2019.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) HK$'000
Assets	
Increase in property and equipment	57,246
Decrease in prepayments, deposits and other receivables	(2,870)
Increase in total assets	54,376
Liabilities	
Increase in other payables and accruals	54,376

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

Financial impact at 1 January 2019 *(continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	62,790
Less: Commitments relating to short-term leases and those leases with remaining lease terms ended on or before 31 December 2019	(1,165)
	61,625
Weighted average incremental borrowing rate as at 1 January 2019	4.02%
Lease liabilities as at 1 January 2019	55,292

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any significant impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup charge arrangements. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. The interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date is determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, available-for-sale investments and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

A party is considered to be related to the Group if: *(continued)*

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

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

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

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

Property and equipment and depreciation

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

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

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

Owned assets

Buildings	2% or over the unexpired terms of the leases if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases if less than 5 years
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20% to 25%
Vessel and yacht	20%

Right-of-use assets

Leasehold lands	2% or over the unexpired terms of the leases if less than 50 years
Office properties	Over the lease terms

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation *(continued)*

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Golf club membership

Golf club membership acquired is measured on initial recognition at cost and its useful life is assessed to be indefinite.

Golf club membership is tested for impairment annually and not amortised. It is considered as having an indefinite useful life as there is no time limit for which the Group can use the membership, and therefore it will not be amortised until its useful life is determined to be finite upon reassessment annually. Accordingly, its useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis as detailed in the *Property and equipment and depreciation* policy above.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019) *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in other payables and accruals.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office properties and staff quarters (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees, payments for land use rights and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as revenue in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss *(continued)*

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates, if and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

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

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include financial liabilities included in other payables and accruals, financial guarantee contracts, notes payable and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges of a net investment

Hedges of a net investment in a foreign operation which meet all the qualifying criteria for hedge accounting, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. The related hedging reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Revenue from other sources

(i) Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred;

(ii) Dividend income is recognised when the shareholders' right to receive payment has been established; and

(iii) Income from the sale of listed securities is recognised on the trade date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the financial statements.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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

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

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

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

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schedule.

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

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Estimation of fair value of investment properties

The fair values of the Group's investment properties are determined by independent valuers on an open market, existing use basis. In making the judgement of determination of the fair values, consideration has been given to assumptions that are mainly based on market conditions existing at the end of the reporting period such as the estimated rental value of the relevant properties and appropriate capitalisation rates. Relevant estimates are regularly compared to actual market data. More details are given in note 15 to the financial statements.

Impairment assessments of loans receivable and deposits and other receivables

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risks of default, losses given default and collateral recovery, changes in which can result in different levels of allowances.

The Group's expected credit loss calculations on loans receivable and deposits and other receivables are based on assumptions about risks of default and losses given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risks of the debtors or comparable companies in the market, existing market conditions as well as forward-looking estimates (such as gross domestic product and market volatility) at the end of each reporting period. It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At 31 December 2019, the carrying amounts of the Group's loans receivable and deposits and other receivables, before impairment allowance, were HK$902,860,000 (2018: HK$580,000,000) and HK$661,865,000 (2018: HK$120,651,000), respectively. Impairment allowances provided for loans receivable and deposits and other receivables as at 31 December 2019 amounted to HK$14,012,000 (2018: HK$29,666,000) and HK$1,735,000 (2018: Nil), respectively, and a reversal of impairment losses aggregating to HK$13,919,000 (2018: impairment losses aggregating to HK$23,918,000) has been recognised for the Group's loans receivable and deposits and other receivables for the year ended 31 December 2019. Further details of the Group's loans receivable and deposits and other receivables and the key assumptions and inputs used for impairment calculations are given in notes 22 and 23 to the financial statements, respectively.

4. OPERATING SEGMENT INFORMATION

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

Property development and investment segment	–	Development and investment of properties
Treasury investment segment	–	Investments in securities and notes receivable, and provision of financial services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs as well as head office and corporate expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION *(continued)*

Information regarding the reportable segments is presented below.

Reportable segment information

Year ended 31 December 2019

	Property development and investment HK$'000	Treasury investment HK$'000	Total HK$'000
Segment revenue (note 5)			
Revenue from external customers	477,140	87,496	564,636
Segment results	645,751	114,548	760,299
Corporate and unallocated expenses			(80,107)
Finance costs			(278,426)
Profit before tax			401,766
Other segment information:			
Share of profits/(losses) of:			
Joint ventures	136,532	–	136,532
Associates	(32,913)	–	(32,913)
Capital expenditure in respect of items of property and equipment	42,342	–	42,342
Depreciation	51,155	–	51,155
Fair value losses on derivative financial instruments – transaction not qualifying as hedges	68,306	–	68,306
Fair value losses on ineffectiveness of hedges of net investment in foreign operations	18,311	–	18,311
Fair value gains on investment properties, net	165,297	–	165,297
Fair value losses on financial assets at fair value through profit or loss, net	–	5,661	5,661
Reversal of impairment losses/(impairment losses) on financial assets, net	(1,735)	15,713	13,978
Investments in joint ventures	2,589,186	–	2,589,186
Investments in associates	574,221	–	574,221

4. OPERATING SEGMENT INFORMATION *(continued)*

Reportable segment information *(continued)*

Year ended 31 December 2018

	Property development and investment HK$'000	Treasury investment HK$'000	Total HK$'000
Segment revenue (note 5)			
Revenue from external customers	490,119	160,985	651,104
Segment results	532,291	(31,136)	501,155
Corporate and unallocated expenses			(64,711)
Finance costs			(245,874)
Profit before tax			190,570
Other segment information:			
Share of profits of:			
Joint ventures	55,131	–	55,131
Associates	53,015	–	53,015
Capital expenditure in respect of items of property and equipment	10,871	–	10,871
Depreciation	4,869	–	4,869
Fair value gains on derivative financial instruments – transaction not qualifying as hedges	35,767	–	35,767
Fair value gains on ineffectiveness of hedges of net investment in foreign operations	18,311	–	18,311
Fair value gains on investment properties, net	46,741	–	46,741
Fair value losses on financial assets at fair value through profit or loss, net	–	119,717	119,717
Impairment losses on financial assets, net	–	28,890	28,890
Investments in joint ventures	2,736,999	–	2,736,999
Investments in associates	914,929	–	914,929

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2019 HK$'000	2018 HK$'000
United Kingdom	**477,140**	490,119
Mainland China	**132**	53,960
Hong Kong	**87,364**	107,025
	564,636	651,104

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
United Kingdom	**17,206,199**	16,311,664
Mainland China	**205,134**	1,306,683
Hong Kong	**727,320**	626,499
Australia	**241,871**	192,266
	18,380,524	18,437,112

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue of HK$95,003,000, HK$72,515,000 and HK$57,290,000 (2018: HK$99,041,000 and HK$68,735,000) were derived from three (2018: two) tenants in the property development and investment segment.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2019 HK$'000	2018 HK$'000
Revenue		
Interest income		
Interest income from debt investments	**47,107**	20,866
Interest income from loans receivable	**42,009**	51,552
	89,116	72,418
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	**5,565**	7,529
Other lease payments, including fixed payments	**471,575**	482,590
	477,140	490,119
Gains/(losses) on disposal of financial assets at fair value through profit or loss, net	**(6,039)**	25,757
Dividend income from listed equity investments	**4,419**	12,513
Dividend income from unlisted fund investments	**–**	50,297
	475,520	578,686
	564,636	651,104
Other income and gains, net		
Bank interest income	**89,895**	40,942
Fair value gains on derivative financial instruments – transaction not qualifying as hedges	**–**	35,767
Fair value gains on ineffectiveness of hedges of net investments in foreign operations	**–**	18,311
Fair value gains on investment properties, net (note 15)	**165,297**	46,741
Gains on disposal of financial assets at fair value through profit or loss, net	**105,565**	47,030
Gain on disposal of subsidiaries (note 34)	**140,290**	–
Gain on redemption of debt investments at fair value through other comprehensive income	**1,163**	–
Others	**632**	2,737
	502,842	191,528

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	2019 HK$'000	2018 HK$'000
Fair value losses on financial assets at fair value through profit or loss, net	**5,661**	119,717
Fair value losses on derivative financial instruments – transaction not qualifying as hedges	**68,306**	–
Fair value losses on ineffectiveness of hedges of net investments in foreign operations	**18,311**	–
Exchange losses, net	**18,328**	63,108
Loss on disposal of items of property and equipment	**37**	–
Others	**–**	86
	110,643	182,911

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	**202,826**	245,874
Interest on notes payable	**73,708**	–
Interest on lease liabilities	**1,892**	–
	278,426	245,874

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2019 HK$'000	2018 HK$'000
Depreciation of owned assets	14	**29,424**	4,869
Depreciation of right-of-use assets	14	**21,731**	–
		51,155	4,869
Minimum lease payments under operating leases		**–**	16,992
Lease payments not included in the measurement of lease liabilities	16(c)	**1,743**	–
Auditor's remuneration		**5,320**	4,800
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**201,479**	178,411
Pension scheme contributions		**5,344**	5,233
		206,823	183,644
Foreign exchange differences, net	6	**18,328**	63,108
Impairment losses/(reversal of impairment losses) on financial assets, net			
Impairment losses/(reversal of impairment losses) on debt investments at fair value through other comprehensive income, net	19	**(59)**	4,972
Impairment losses/(reversal of impairment losses) on loans and interest receivables, net	22	**(15,654)**	23,918
Impairment losses on financial assets included in prepayments, deposits and other receivables	23	**1,735**	–
		(13,978)	28,890
Gross rental income		**(477,140)**	(490,119)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**9,341**	5,474
Net rental income		**(467,799)**	(484,645)

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 HK$'000	2018 HK$'000
Fees	**2,085**	2,020
Other emoluments:		
Salaries, allowances and benefits in kind	**39,066**	39,755
Discretionary bonuses	**36,800**	35,800
Pension scheme contributions	**1,235**	1,293
	77,101	76,848
	79,186	78,868

During the year, the Group provided a leasehold property in Hong Kong as staff quarters for one of the executive directors of the Company. The estimated monetary value of such accommodation, included in the amount disclosed above, using the rateable value as an approximation, was HK$1,002,000 (2018: HK$600,000).

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

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2019 HK$'000	2018 HK$'000
Mr. Lam Kin Fung Jeffrey	**785**	760
Mr. Leung Yu Ming Steven	**650**	630
Dr. Wong Lung Tak Patrick	**650**	630
	2,085	2,020

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

9. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2019					
Executive directors:					
Mr. Cheung Chung Kiu	**–**	**11,700**	**13,500**	**18**	**25,218**
Dr. Lam How Mun Peter	**–**	**11,077**	**8,000**	**465**	**19,542**
Mr. Leung Chun Cheong	**–**	**2,964**	**2,000**	**137**	**5,101**
Mr. Leung Wai Fai	**–**	**5,785**	**4,300**	**267**	**10,352**
Mr. Wong Chi Keung	**–**	**7,540**	**9,000**	**348**	**16,888**
	–	**39,066**	**36,800**	**1,235**	**77,101**
2018					
Executive directors:					
Mr. Cheung Chung Kiu	–	11,700	13,500	18	25,218
Dr. Lam How Mun Peter	–	10,350	8,000	450	18,800
Mr. Tsang Wai Choi*	–	2,105	–	105	2,210
Mr. Leung Chun Cheong	–	2,860	2,000	132	4,992
Mr. Leung Wai Fai	–	5,590	4,300	258	10,148
Mr. Wong Chi Keung	–	7,150	8,000	330	15,480
	–	39,755	35,800	1,293	76,848

* Mr. Tsang Wai Choi retired as an executive director of the Company with effect from 21 May 2018.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2018: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining one (2018: one) non-director, highest paid employee are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances, and benefits in kind	**3,900**	3,640
Discretionary bonuses	**9,000**	8,000
Pension scheme contributions	**180**	168
	13,080	11,808

The number of non-director, highest paid employee whose remuneration fell within the following band is as follows:

	No. of individuals	
	2019	2018
HK$11,500,001 to HK$12,200,000	**–**	1
HK$13,000,001 to HK$13,500,000	**1**	–

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The tax reform in the United Kingdom (the "UK") enacted on 17 February 2019 and effective from 5 April 2019 has extended the scope of the UK's taxation of gains accruing to non-UK residents to include gains on disposals of interests in non-residential UK properties. The cost base on disposal is based on either the original cost of the UK property, adjusting for indexation, or the fair value of the UK property at 5 April 2019. Any gain arising from sales of the UK property between 6 April 2019 and 31 March 2020 would be subject to corporation tax at a rate of 19% and from 1 April 2020 onwards would be subject to a corporation tax rate of 17%.

	2019 **HK$'000**	2018 HK$'000
Current charge for the year		
Hong Kong	**8,065**	5,247
Mainland China	**39,529**	18,506
UK	**11,644**	13,305
Underprovision/(overprovision) in prior years		
Hong Kong	**(17,407)**	493
Mainland China	**(33,723)**	(8,088)
UK	**(3,995)**	(9,331)
Deferred tax (note 30)	**(16,370)**	(661)
Total tax charge/(credit) for the year	**(12,257)**	19,471

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

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**401,766**	190,570
Tax at the statutory tax rates of different jurisdictions	**69,902**	38,959
Lower tax rate enacted by local authority	**(165)**	–
Adjustments in respect of current tax of previous periods	**(55,125)**	(16,926)
Profits and losses attributable to associates	**5,431**	(8,747)
Profits and losses attributable to joint ventures	**(22,528)**	(9,097)
Income not subject to tax	**(113,224)**	(90,134)
Expenses not deductible for tax	**46,785**	82,250
Effect of withholding tax at 10% on the disposal of the Group's PRC investments	**19,065**	–
Tax losses not recognised	**37,602**	23,166
Tax charge/(credit) at the Group's effective rate	**(12,257)**	19,471

The share of tax attributable to associates and joint ventures amounting to HK$1,421,000 (2018: HK$13,621,000) and HK$24,183,000 (2018: HK$38,915,000), respectively, are included in "Share of profits and losses of associates" and "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss, respectively.

12. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Proposed final – HK$0.02 (2018: HK$0.02) per ordinary share	**77,647**	77,647

The final dividend for the year ended 31 December 2019 proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

No interim dividend was declared in respect of the years ended 31 December 2019 and 2018.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	2019 HK$'000	2018 HK$'000
Earnings		
Profits attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**414,023**	171,099

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**3,882,334,668**	3,882,334,668

14. PROPERTY AND EQUIPMENT

	Owned assets							
	Land and buildings/ buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessel and yacht HK$'000	Total HK$'000	Right-of-use assets HK$'000 (note 16(a))	Total HK$'000
31 December 2019								
At 1 January 2019 (as originally presented):								
Cost	102,078	6,232	9,857	7,570	–	125,737	–	125,737
Accumulated depreciation	(9,874)	(992)	(3,298)	(5,892)	–	(20,056)	–	(20,056)
Net carrying amount	92,204	5,240	6,559	1,678	–	105,681	–	105,681
Effect of adoption of HKFRS 16 (note 16(a))	(86,066)	–	–	–	–	(86,066)	143,312	57,246
At 1 January 2019 (as restated)	6,138	5,240	6,559	1,678	–	19,615	143,312	162,927
At 1 January 2019, net of accumulated depreciation	6,138	5,240	6,559	1,678	–	19,615	143,312	162,927
Additions	–	32,574	8,647	1,121	–	42,342	2,606	44,948
Acquisition of subsidiaries that are not a business (note 33)	–	–	–	–	145,446	145,446	–	145,446
Disposals	–	–	(479)	(6)	–	(485)	–	(485)
Depreciation provided during the year	(168)	(4,583)	(1,639)	(1,217)	(21,817)	(29,424)	(21,731)	(51,155)
Exchange realignment	–	15	2	(7)	–	10	(286)	(276)
At 31 December 2019, net of accumulated depreciation	5,970	33,246	13,090	1,569	123,629	177,504	123,901	301,405
At 31 December 2019:								
Cost	7,138	38,825	17,716	7,312	145,446	216,437	154,628	371,065
Accumulated depreciation	(1,168)	(5,579)	(4,626)	(5,743)	(21,817)	(38,933)	(30,727)	(69,660)
Net carrying amount	5,970	33,246	13,090	1,569	123,629	177,504	123,901	301,405

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2018					
At 1 January 2018:					
Cost	102,078	1,935	6,829	16,349	127,191
Accumulated depreciation	(7,252)	(1,931)	(4,760)	(13,433)	(27,376)
Net carrying amount	94,826	4	2,069	2,916	99,815
At 1 January 2018, net of accumulated depreciation	94,826	4	2,069	2,916	99,815
Additions	–	5,863	5,008	–	10,871
Disposals	–	–	–	(63)	(63)
Depreciation provided during the year	(2,622)	(627)	(475)	(1,145)	(4,869)
Exchange realignment	–	–	(43)	(30)	(73)
At 31 December 2018, net of accumulated depreciation	92,204	5,240	6,559	1,678	105,681
At 31 December 2018:					
Cost	102,078	6,232	9,857	7,570	125,737
Accumulated depreciation	(9,874)	(992)	(3,298)	(5,892)	(20,056)
Net carrying amount	92,204	5,240	6,559	1,678	105,681

At 31 December 2019, one of the Group's buildings with a carrying amount of HK$4,476,000 and its leasehold land, which is included in right-of-use assets, with a carrying amount of HK$72,788,000 (2018: land and buildings of HK$79,776,000) were pledged to secure general banking facilities granted to the Group (note 28).

15. INVESTMENT PROPERTIES

	2019 **HK$'000**	2018 HK$'000
Carrying amount at 1 January	**14,394,511**	15,228,933
Additions	**315**	15,059
Lease incentives	**(64,300)**	(61,800)
Net gain from fair value adjustments (note 5)	**165,297**	46,741
Exchange realignment	**406,475**	(834,422)
Carrying amount at 31 December	**14,902,298**	14,394,511

The Group's investment properties consist of two commercial properties in the UK. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Knight Frank Petty Limited, a firm of independent professionally qualified valuer, at HK$14,902,298,000. Each year, management of the Group decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior personnel from the finance department reviews the valuations performed by the external valuer for financial reporting purposes and reports directly to senior management. Discussions of valuation processes, assumptions and results are held between the Group's finance personnel and the external valuer twice a year when the valuations are performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

At 31 December 2019, the Group's investment properties with an aggregate carrying value of HK$14,902,298,000 (2018: HK$14,394,511,000) were pledged to secure general banking facilities granted to the Group (note 28).

Further particulars of the Group's investment properties are included on page 131.

Fair value hierarchy

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

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	–	–	**14,902,298**	**14,902,298**

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	14,394,511	14,394,511

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000
Carrying amount at 1 January 2018	15,228,933
Additions	15,059
Lease incentives	(61,800)
Net gain from fair value adjustments	46,741
Exchange realignment	(834,422)
Carrying amount at 31 December 2018 and 1 January 2019	**14,394,511**
Additions	**315**
Lease incentives	**(64,300)**
Net gain from fair value adjustments	**165,297**
Exchange realignment	**406,475**
Carrying amount at 31 December 2019	**14,902,298**

Set out below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	**Significant unobservable inputs**	**Range 2019**	**Range 2018**
Commercial properties	Income capitalisation approach	Estimated rental value (per square foot per annum)	**GBP60 to GBP125**	GBP51 to GBP107.5
		Equivalent yield	**3.70% to 4.71%**	3.90% to 4.70%

The fair value of the investment properties which are classified as Level 3 of the fair value hierarchy is determined by using the income capitalisation approach based on capitalisation of net income with due allowance of outgoings and reversionary income potential. Measurement of the fair value is positively correlated to the estimated rental value and inversely correlated to the equivalent yield rate.

16. LEASES

The Group as a lessee

The Group has lease contracts for leasehold lands and office properties used in its operations. Lump sum payments were made upfront to acquire the leasehold lands in Hong Kong with lease periods of 40 to 54 years, and no ongoing payments will be made under the terms of these land leases. Leases of office properties generally have lease terms between 2 to 4 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold lands HK$'000	Office properties HK$'000	Total HK$'000
As at 1 January 2019 (upon adoption of HKFRS 16)	86,066	57,246	143,312
Additions	–	2,606	2,606
Depreciation charge	(2,715)	(19,016)	(21,731)
Exchange realignment	–	(286)	(286)
As at 31 December 2019	83,351	40,550	123,901

(b) Lease liabilities

The carrying amount of lease liabilities (included under other payables and accruals) and the movements during the year are as follows:

	HK$'000
Carrying amount at 1 January 2019 (upon adoption of HKFRS16)	55,292
New leases	2,606
Accretion of interest recognised during the year	1,892
Payments	(20,637)
Exchange realignment	(103)
Carrying amount at 31 December 2019	39,050
Analysed into:	
Current portion	18,334
Non-current portion	20,716
	39,050

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

(c) The amounts recognised in the statement of profit or loss in relation to leases are as follows:

	2019 HK$'000
Interest on lease liabilities	1,892
Depreciation charge of right-of-use assets	21,731
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	1,743
Total amount recognised in the statement of profit or loss	25,366

(d) The total cash outflow for leases are disclosed in note 36(c) to the financial statements.

16. LEASES *(continued)*

The Group as a lessor

The Group leases its investment properties (note 15) consisting of two commercial properties in the UK and under operating lease arrangements. The terms of the leases generally (i) require tenants to pay rent in advance on a quarterly basis; (ii) provide for rent review; (iii) grant certain lessees a tenant exercisable break clause; and (iv) require certain tenants to pay security deposits. As at 31 December 2019, security deposits received from tenants and held by the Group's property manager on trust for both the Group and the Group's tenants amounted to HK$52,044,000 (2018: HK$57,463,000). Rental income recognised by the Group during the year was HK$477,140,000 (2018: HK$490,119,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods, calculated on the assumption that no tenant exercisable break clause will be exercised, under non-cancellable operating leases with its tenants are as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**540,026**	533,437
After one year but within two years	**539,984**	533,429
After two years but within three years	**535,266**	528,916
After three years but within four years	**478,338**	524,328
After four years but within five years	**428,268**	470,229
After five years	**2,494,040**	2,740,502
	5,015,922	5,330,841

17. INVESTMENTS IN JOINT VENTURES

	2019 **HK$'000**	2018 HK$'000
Share of net assets	**2,589,186**	2,736,999

17. INVESTMENTS IN JOINT VENTURES *(continued)*

Particulars of the Group's material joint ventures are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of		
			Ownership interest	Voting power	Profit sharing
Instant Glory International Limited ("Instant Glory")	Ordinary shares of US$1 each	BVI	50	50	50
Excel Winner UK Limited ("Excel Winner UK")	Ordinary shares of GBP1 each	England & Wales	50	50	50
Beauty Bay International Limited ("Beauty Bay")	Ordinary shares of US$1 each	BVI	48.98	50	48.98
Whiteley JV S.à r.l. ("Whiteley JV")	Ordinary shares of GBP1 each	Grand Duchy of Luxembourg	46.08	50	46.08
Whiteley Hotel PropCo Limited ("Whiteley PropCo")	Ordinary shares of GBP0.01 each	Guernsey	46.08	50	46.08
Whiteley Hotel Apartments Limited ("Whiteley Apartments")	Ordinary shares of GBP0.01 each	UK	46.08	50	46.08
Whiteley Retail Limited ("Whiteley Retail")	Ordinary shares of GBP0.01 each	Guernsey	46.08	50	46.08
Queens Road W2 Limited ("QRW2")	Ordinary shares of HK$1 each	Hong Kong	46.08	50	46.08
Ocean Beyond Investments Limited ("Ocean Beyond")	Ordinary shares of US$1 each	BVI	42.5	33.33	42.5
Proprium Holding Trust ("Proprium")	Ordinary shares of AUD1 each	Australia	41.9	50	41.9

Instant Glory is an investment holding company which holds indirectly the entire 100% equity interest of Excel Winner UK (collectively "Instant Glory Group"). Excel Winner UK is a property development company.

Beauty Bay is an investment holding company which held directly and indirectly the entire 100% equity interest of Billion Thriving Limited ("Billion Thriving") and its wholly-owned subsidiary (collectively "Billion Thriving Group"). Billion Thriving Group is principally engaged in property investment. In November 2019, Beauty Bay entered into two sale and purchase agreements with the joint venture partners to dispose of its 100% interest in Billion Thriving and a shareholder's loan owed by the Billion Thriving Group to Beauty Bay for a total consideration of HK$1,707,899,000. The disposal was completed on 26 November 2019 and a gain on disposal of subsidiaries amounted to HK$118,621,000 was recognised by Beauty Bay.

Whiteley JV is an investment holding company newly invested by the Group during the year and holds indirectly the entire 100% equity interest of Whiteley PropCo, Whiteley Apartments, Whiteley Retail and QRW2 (collectively "Whiteley Group"). Whiteley Group is principally engaged in property development and investment.

Ocean Beyond is an investment holding company which holds indirectly 98.5% equity interest of Proprium (collectively "Ocean Beyond Group"). Proprium is a property investment company.

All these joint ventures are unlisted and indirectly held by the Company.

Instant Glory Group, Beauty Bay and its subsidiaries (the "Beauty Bay Group"), Whiteley Group and Ocean Beyond Group are considered as material joint ventures of the Group and are accounted for using the equity method.

17. INVESTMENTS IN JOINT VENTURES *(continued)*

The following tables illustrate the summarised financial information in respect of Instant Glory Group, Beauty Bay Group, Whiteley Group, Ocean Beyond Group, Distinct Global Investments Limited ("Distinct Global") and Sun Vessel Global Limited ("Sun Vessel") and reconciled to the carrying amount in the consolidated financial statements:

Instant Glory Group

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	**14,825**	28,895
Other current assets	**6,874,727**	6,471,950
Current assets	**6,889,552**	6,500,845
Non-current assets	**8,985**	2,565
Current financial liabilities, excluding trade and other payables	**(2,237,414)**	(2,176,094)
Other current liabilities	**(178,529)**	(164,633)
Current liabilities	**(2,415,943)**	(2,340,727)
Non-current liabilities	**(280,874)**	(467,893)
Net assets	**4,201,720**	3,694,790
Reconciliation to the Group's interests		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**2,100,860**	1,847,395
Carrying amount of the investment	**2,100,860**	1,847,395
Interest expense	**(2,617)**	–
Loss for the year	**(38,004)**	(14,997)
Total comprehensive loss for the year	**(38,004)**	(14,997)

17. INVESTMENTS IN JOINT VENTURES *(continued)*

Beauty Bay Group

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	**60**	60
Other current assets	**588,911**	177,974
Current assets	**588,971**	178,034
Non-current assets	**–**	1,114,117
Current liabilities	**(480,392)**	(29,943)
Net assets	**108,579**	1,262,208
Reconciliation to the Group's interests		
Proportion of the Group's ownership	**48.98%**	48.98%
Group's share of net assets	**53,182**	618,229
Carrying amount of the investment	**53,182**	618,229
Interest income	**299,232**	177,648
Other income	**118,621**	–
Income tax expense	**(49,373)**	(29,312)
Profit for the year	**361,176**	147,397
Other comprehensive income/(loss) for the year	**76,909**	(76,909)
Total comprehensive income for the year	**438,085**	70,488
Dividend received by the Group from the Beauty Bay Group	**195,918**	–

17. INVESTMENTS IN JOINT VENTURES *(continued)*

Whiteley Group

	2019 HK$'000
Cash and cash equivalents	64,119
Other current assets	3,525,674
Current assets	3,589,793
Non-current assets	37,372
Current liabilities	(2,675)
Non-current financial liabilities, excluding trade and other payables and provisions	(1,271,786)
Other non-current liabilities	(5,559)
Non-current liabilities	(1,277,345)
Net assets	2,347,145
Reconciliation to the Group's interests	
Proportion of the Group's ownership	46.08%
Group's share of net assets	1,081,564
Paid-up capital contributed by joint venture partner disproportionate to its shareholding	(898,634)
Loss not shared by the Group	10,218
Carrying amount of the investment	193,148
Interest income	2
Other income	719
Interest expense	(1,058)
Loss for the year	(22,175)
Total comprehensive loss for the year	(22,175)

17. INVESTMENTS IN JOINT VENTURES *(continued)*

Ocean Beyond Group

	2019 HK$'000
Cash and cash equivalents	**21,403**
Other current assets	**1,338**
Current assets	**22,741**
Non-current assets	**638,200**
Current financial liabilities, excluding trade and other payables	**(1,242)**
Other current liabilities	**(3,215)**
Current liabilities	**(4,457)**
Non-current financial liabilities, excluding trade and other payables and total non-current liabilities	**(211,695)**
Net assets	**444,789**
Non-controlling interests	**(2,669)**
Net assets attributable to owners of Ocean Beyond Group	**442,120**
Reconciliation to the Group's interests	
Proportion of the Group's ownership	**42.5%**
Group's share of net assets	**187,901**
Carrying amount of the investment	**187,901**
Interest income	**198**
Loss for the year	**(34,707)**
Other comprehensive loss for the year	**(10,010)**
Total comprehensive loss for the year	**(44,717)**

17. INVESTMENTS IN JOINT VENTURES *(continued)*

Distinct Global*

	2018 HK$'000
Cash and cash equivalents	650,853
Other current assets	11,903
Current assets	662,756
Current financial liabilities, excluding trade and other payables	(28)
Other current liabilities	(167,042)
Current liabilities	(167,070)
Net assets	495,686
Non-controlling interests	(146,028)
Net assets attributable to the owners of Distinct Global Group	349,658
Reconciliation to the Group's interests	
Proportion of the Group's ownership	47%
Group's share of net assets	164,339
Carrying amount of the investment	164,339
Revenue	22,151
Other income	224,150
Interest income	441
Income tax expense	(71,091)
Profit for the year	88,990
Other comprehensive loss for the year	(33,052)
Total comprehensive income for the year	55,938

17. INVESTMENTS IN JOINT VENTURES *(continued)*

Sun Vessel*

	2018 HK$'000
Current assets	220
Non-current assets	149,295
Financial liabilities, excluding trade and other payables	(483)
Current liabilities	(483)
Net assets	149,032
Reconciliation to the Group's interests	
Proportion of the Group's ownership	50%
Group's share of net assets	74,516
Carrying amount of the investment	74,516
Depreciation	(27,611)
Loss for the year	(28,058)
Other comprehensive income for the year	449
Total comprehensive loss for the year	(27,609)

* In the opinion of the directors, Distinct Global and Sun Vessel are no longer considered as material joint ventures of the Group for the year ended 31 December 2019 and therefore, summarised financial information of Distinct Global and Sun Vessel for the year ended 31 December 2019 is not presented in the financial statements.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019 **HK$'000**	2018 HK$'000
Share of the joint ventures' loss for the year	**(6,841)**	(19,582)
Share of the joint ventures' other comprehensive income	**14,037**	3,112
Share of the joint ventures' total comprehensive income/(loss)	**7,196**	(16,470)
Aggregate carrying amount of the Group's investments in joint ventures	**54,095**	32,520

18. INVESTMENTS IN ASSOCIATES

	2019 **HK$'000**	2018 HK$'000
Share of net assets	**492,531**	914,929
Amount due from an associate	**81,690**	–
	574,221	914,929

The amount due from an associate is unsecured, interest-free and repayable on demand. In the opinion of the directors, the amount is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net investments in the related associate. There was no recent history of default and past due for the amount due from the associate. As at 31 December 2019, the loss allowance was assessed to be minimal.

18. INVESTMENTS IN ASSOCIATES *(continued)*

Particulars of the material associates are as follows:

Name	Place of incorporation/ registration and business	Particulars of shares held	Percentage of ownership interest attributable to the Group 2019	2018	Principal activities
Fine Ahead Limited ("Fine Ahead")*	BVI	Ordinary share of US$1 each	**35%**	35%	Investment holding
Champion Maker Limited ("Champion Maker")	BVI	Ordinary shares of US$1 each	**30%**	–	Investment holding
Next Olympic Limited ("Next Olympic")	BVI	Ordinary shares of US$1 each	**30%**	–	Investment holding
PRECP Development Venture I Limited ("PRECP")	Cayman Islands	Ordinary shares of US$1 each	**31.75%**	31.75%	Investment holding
Modern Crescent Limited ("Modern Crescent")	BVI	Ordinary shares of US$1 each	**25%**	25%	Investment holding
Health Link Investment Limited ("Health Link")	Hong Kong	Ordinary shares of HK$1 each	**25%**	25%	Property investment
Zhuzhou Real Estate Company Limited*/** ("Zhuzhou Real Estate") (株洲金碧置業有限公司)	PRC/Mainland China	Registered RMB630,000,000	**–**	42.86%	Property development

* In the opinion of the directors, these associates are no longer considered as material associates of the Group for the year ended 31 December 2019 and therefore, summarised financial information for these associates for the year ended 31 December 2019 is not presented in the financial statements.

** The English name of this company is not official. It is direct translation from the Chinese name and is for identification purposes only.

Champion Maker is an investment holding company which holds directly the entire 100% equity interest of Next Olympic (collectively "Champion Maker Group") and was newly invested by the Group during the year. Next Olympic is an investment holding company.

Modern Crescent is an investment holding company which holds indirectly the entire 100% equity interest of Health Link (collectively "Modern Crescent Group"). Health Link is a property investment company.

During the year ended 31 December 2019, the Group disposed of its 42.86% equity interest in Zhuzhou Real Estate as part of the disposal of its 100% equity interest in Million Intelligence Limited ("Million Intelligence") to an independent third party. Further details of the disposal are included in note 34 to the financial statements.

The Group's shareholdings in these associates comprise equity shares held through subsidiaries of the Company.

18. INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information in respect of Champion Maker Group, PRECP, Modern Crescent Group, Fine Ahead and Zhuzhou Real Estate and reconciled to the carrying amount in the consolidated financial statements:

Champion Maker Group

	2019 HK$'000
Current assets and net assets	**255,653**
Reconciliation to the Group's interest:	
Proportion of the Group's ownership	**30%**
Group's share of net assets	**76,696**
Carrying amount of the investment	**76,696**
Loss for the year	**(16,648)**
Total comprehensive loss for the year	**(16,648)**

PRECP

	2019 HK$'000	2018 HK$'000
Current assets	**45,240**	1,791
Non-current assets	**173,570**	328,190
Current liabilities	**(9,531)**	(8,893)
Net assets	**209,279**	321,088
Reconciliation to the Group's interest:		
Proportion of the Group's ownership	**31.75%**	31.75%
Group's share of net assets	**66,446**	101,945
Carrying amount of the investment	**66,446**	101,945
Profit/(loss) for the year	**(11,286)**	107,277
Other comprehensive loss for the year	**(4,428)**	(6,384)
Total comprehensive income/(loss) for the year	**(15,714)**	100,893

18. INVESTMENTS IN ASSOCIATES *(continued)*

Modern Crescent Group

	2019 HK$'000	2018 HK$'000
Current assets	**7,684,285**	7,663,227
Current liabilities	**(1,989,950)**	(1,991,508)
Non-current liabilities	**(3,991,951)**	(4,058,911)
Net assets	**1,702,384**	1,612,808
Reconciliation to the Group's interest:		
Proportion of the Group's ownership	**25%**	25%
Group's share of net assets	**425,596**	403,202
Carrying amount of the investment	**425,596**	403,202
Revenue	**190,213**	66,288
Loss for the year	**(55,807)**	(23,761)
Total comprehensive loss for the year	**(55,807)**	(23,761)

Zhuzhou Real Estate

	2018 HK$'000
Current assets	1,641,730
Non-current assets	543,852
Current liabilities	(938,547)
Non-current liabilities	(451,149)
Net assets	795,886
Reconciliation to the Group's interest:	
Proportion of the Group's ownership	42.86%
Group's share of net assets	341,094
Carrying amount of the investment	341,094
Profit for the year	79,569
Other comprehensive loss for the year	(45,962)
Total comprehensive income for the year	33,607

18. INVESTMENTS IN ASSOCIATES *(continued)*

Fine Ahead

	2018 HK$'000
Current assets and net assets	196,250
Reconciliation to the Group's interest:	
Proportion of the Group's ownership	35%
Group's share of net assets	68,688
Carrying amount of the investment	68,688
Loss for the year	(26,306)
Total comprehensive loss for the year	(26,306)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019 HK$'000
Share of the associates' loss for the year	**(10,384)**
Share of the associates' other comprehensive loss	**(198)**
Share of the associates' total comprehensive loss	**(10,582)**
Aggregate carrying amount of the Group's investments in associates	**5,483**

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2019 HK$'000	2018 HK$'000
Equity investments designated at fair value through other comprehensive income	(i)	**649,689**	931,585
Debt investments at fair value through other comprehensive income	(ii)	**365,798**	436,377
		1,015,487	1,367,962
Portion classified as current assets		**(198,615)**	(76,822)
Non-current assets portion		**816,872**	1,291,140

Notes:

(i) The above equity investments are investments in companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year, the Group partially disposed of one (2018: one) of the equity investments for investment diversification consideration. The fair value of the related shares on the date of sale was HK$67,578,000 (2018: HK$313,500,000) and the accumulated gain recognised in other comprehensive income of HK$51,885,000 (2018: HK$20,531,000) was transferred to retained earnings. During the year ended 31 December 2018, the Group also received dividends in the amount of HK$3,836,000 from the equity investments designated at fair value through other comprehensive income.

(ii) At 31 December 2019, the Group held two (2018: three) senior notes with an aggregate principal of US$50,000,000 (equivalent to HK$387,500,000) (2018: US$60,000,000 (equivalent to HK$465,000,000)) issued by certain companies (the "Issuers") listed on the Stock Exchange. These senior notes bear interest at rates ranging from 8.75% to 11% (2018: 8.75% to 12%) per annum, payable semi-annually and will mature in 2020 to 2025 (2018: 2019 to 2025). The Issuers may redeem all or any part of the senior notes prior to the maturity at redemption prices applicable from time to time.

(iii) Impairment assessment of debt investments at fair value through other comprehensive income

As at 31 December 2019, none of the debt investments were overdue (2018: Nil) and all the debt investments were categorised within Stage 1 for the measurement of expected credit losses. An impairment analysis is performed at each reporting date by considering the expected credit losses, which are estimated by applying the probability of default approach with reference to risk of default of the Issuers or comparable companies. As at 31 December 2019, the probability of default applied was 3.21% (2018: 3.53% to 3.70%) and the loss given default was estimated to be approximately 63% (2018: 38% to 52%).

The movements in the loss allowance for the impairment of debt investments at fair value through other comprehensive income are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**6,591**	1,619
Impairment losses/(reversal of impairment losses), net (note 8)		
Changes in risk parameters	**1,036**	177
New senior notes purchased	**–**	4,795
Redemption of senior notes	**(1,095)**	–
	(59)	4,972
At 31 December	**6,532**	6,591

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Listed equity investments	**223,561**	191,995
Other unlisted investments	**683,139**	1,445,963
	906,700	1,637,958
Portion classified as current assets	**(300,980)**	(191,995)
Non-current assets portion	**605,720**	1,445,963

The above listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments at 31 December 2019 were fund investments and convertible loans (2018: fund investments). They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Assuming the portfolio of the Group's listed equity investments remained unchanged, the market value of the Group's listed equity investments at fair value through profit or loss at the date of approval of these financial statements was HK$218,072,000.

21. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**9,449**	5,679

The trade receivables primarily include rental receivables which are normally billed in advance and due on the first day of the billing period. Certain tenants are required to pay security deposits which are held by the property manager on trust for both the Group and the Group's tenants. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

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

	2019 HK$'000	2018 HK$'000
Within 1 month	**3,022**	1,225
1 to 2 months	**6,427**	4,454
	9,449	5,679

The Group's tenants normally settle their bills in a timely manner and the Group's trade receivables as at the end of the reporting period aged less than three months. As such, the Group's exposure to credit risk is insignificant and the directors of the Company were of the opinion that the ECLs of these rental receivables is minimal.

22. LOANS AND INTEREST RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Loans receivable		
Secured	**40,000**	40,000
Unsecured	**862,860**	540,000
	902,860	580,000
Less: Impairment allowance	**(14,012)**	(29,666)
	888,848	550,334
Interest receivable	**10,292**	20,343
	899,140	570,677

As these loans receivable relate to a number of different borrowers, the directors are of the opinion that there is no significant concentration of credit risk over these loans receivable. The carrying amounts of these loans receivable approximate to their fair values.

The movements in the loss allowance for the impairment of loans and interest receivables are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**29,666**	5,748
Impairment losses/(reversal of impairment losses), net (note 8)		
Loans repaid/derecognised	**(29,666)**	(2,064)
New loans granted	**14,012**	25,982
	(15,654)	23,918
At 31 December	**14,012**	29,666

As at 31 December 2019, one of the loans and interest receivables of HK$36,155,000 (2018: Nil), before impairment allowance, was overdue for less than 90 days, the Group considers that there has no significant change in credit risk of the borrower and all the balances were categorised within Stage 1 for the measurement of expected credit losses. The overdue balance of HK$36,155,000 (2018: Nil) was fully repaid subsequent to 31 December 2019.

An impairment analysis is performed at each reporting date by considering the expected credit losses, which are estimated by applying the probability of default approach with reference to the risks of default of the borrowers or comparable companies. As at 31 December 2019, the probability of default applied ranged from 1.95% to 8.45% (2018: 2.48% to 27.32%) and the loss given default was estimated to be approximately 62% (2018: 52%).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments	**48,382**	8,256
Deposits and other receivables	**661,865**	120,651
Deposits paid for acquisition of associates	**–**	244,424
Due from a joint venture	**480,392**	–
Total prepayments, deposits and other receivables	**1,190,639**	373,331
Impairment allowance	**(1,735)**	–
	1,188,904	373,331
Less: Deposits classified as non-current assets	**(8,052)**	(280,808)
Current assets portion	**1,180,852**	92,523

The amount due from a joint venture is unsecured, interest-free and repayable on demand. In the opinion of the directors, the credit risk for the amount due from the joint venture is insignificant.

Deposits and other receivables mainly represent consideration receivables, rental deposits, deposits with vendors and receivables from counterparties which have no history of default. The financial assets included in the above balances were not overdue and categorised in Stage 1 for the measurement of expected credit losses. Where applicable, an impairment analysis is performed at each reporting date by considering the expected credit losses, which are estimated by applying the probability of default approach with reference to the risks of default of the counterparties. As at 31 December 2019, the probability of default applied was 0.89% and the loss given default was estimated to be approximately 62%.

The movements in the loss allowance for the impairment of financial assets included in prepayments, deposits and other receivables are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**–**	–
Impairment losses (note 8)	**1,735**	–
At 31 December	**1,735**	–

24. DEPOSITS WITH BROKERAGE COMPANIES

Deposits with brokerage companies are carried at an average interest rate of 0.023% per annum (2018: 0.012% per annum).

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2019 HK$'000	2018 HK$'000
Cash and bank balances		**4,661,627**	5,821,862
Time deposits		**2,399,918**	350,053
		7,061,545	6,171,915
Less: Pledged deposits	(a)	**(965,000)**	(1,327,500)
Restricted bank balances	(b)	**(67,088)**	(142,907)
Cash and cash equivalents		**6,029,457**	4,701,508

Notes:

(a) The bank balances and time deposits were pledged to banks to secure bank borrowings granted to the Group (note 28(b)).

(b) The restricted bank balances as at 31 December 2019 and 2018 represented deposits placed with banks and the usage of which was restricted to the payments of certain obligations under loan facilities granted by certain banks.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,160,313,000 (2018: HK$543,153,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

26. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Receipts in advance	**50,590**	75,412
Other payables	**94,630**	51,703
Accruals	**89,428**	85,576
Due to a joint venture (note b)	**59,560**	301,809
Lease liabilities (note 16(b))	**39,050**	–
Total other payables and accruals	**333,258**	514,500
Less: Lease liabilities classified as non-current liabilities (note 16(b))	**(20,716)**	–
Current liabilities portion	**312,542**	514,500

Notes:

(a) Other payables are non-interest-bearing and are normally settled within one year.

(b) The amount due to a joint venture is unsecured, interest-free and repayable on demand.

(c) As a result of the initial application of HKFRS 16, accrued lease payments of HK$916,000 previously included in "Other payables and accruals" were adjusted to the right-of-use assets recognised at 1 January 2019.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 Assets HK$'000	2018 Assets HK$'000
Forward currency contracts	–	56,540
Interest rate swaps	3,247	72,394
	3,247	128,934
Portion classified as non-current:		
Interest rate swaps	(3,247)	(72,394)
Current portion	–	56,540

Forward currency contracts – hedges of net investments

At 31 December 2018, forward currency contracts with a notional amount of GBP215,000,000 are designated as a hedging instrument in respect of the hedges of net investments in certain subsidiaries in the UK. The forward currency contract balance varies with changes in the foreign exchange forward rate. The forward currency contracts were terminated in May 2019. Further details of the hedges of net investments are set out in note 42 to the financial statements.

Interest rate swaps

At 31 December 2019, the Group had several interest rate swaps with a total notional amount of GBP498,000,000 (2018: GBP498,000,000) whereby the Group pays interest at fixed rate of approximately 0.72% (2018: 0.72%) and receives interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") on the notional amount. The interest rate swaps mature over the next 3 years (2018: 4 years) and are used to manage its interest rate exposures arising from bank loans at floating rates.

These interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of the non-hedging interest rate derivatives amounting to HK$68,306,000 (2018: HK$35,767,000) were charged to (2018: credited to) profit or loss during the year.

28. INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Contractual interest rate	**Maturity**	**HK$'000**	Contractual interest rate	Maturity	HK$'000
Current						
Bank loans – secured	**LIBOR+0.5% & HIBOR+0.5%**	**On demand**	**954,330**	LIBOR+0.45%, LIBOR+0.5% & HIBOR+1.5%	On demand	2,187,412
Long term bank loans repayable on demand – secured	**HIBOR+1%**	**On demand**	**31,500**	HIBOR+1%	On demand	35,000
Current portion of long term bank loans – secured	**LIBOR+1.35%**	**2020**	**67,719**	LIBOR+1.35%	2019	66,046
			1,053,549			2,288,458
Non-current						
Bank loans – secured	**LIBOR+1.35% & LIBOR+1.5%**	**2021 to 2022**	**7,894,382**	LIBOR+1.35% & LIBOR+1.5%	2020 to 2022	7,728,486
			8,947,931			10,016,944
Analysed into bank loans repayable:						
On demand (Note a)			**985,830**			2,222,412
Within one year			**67,719**			66,046
In the second year			**67,829**			66,130
In the third to fifth years, inclusive			**7,826,553**			7,662,356
			8,947,931			10,016,944

28. INTEREST-BEARING BANK BORROWINGS *(continued)*

Notes:

(a) As further explained in note 42 to the financial statements, the Group's term loans with an aggregate amount of HK$985,830,000 (2018: HK$2,222,412,000) containing an on-demand clause have been classified as current liabilities and analysed into bank loans repayable on demand in the above analysis.

At the end of the reporting period, the maturity profile of interest-bearing bank borrowings based on the scheduled repayment dates set out in the loan agreements is as follows:

	2019 **HK$'000**	2018 HK$'000
Bank borrowings repayable:		
Within one year	**1,030,799**	2,256,958
In the second year	**80,079**	74,880
In the third to fifth years, inclusive	**7,837,053**	7,685,106
	8,947,931	10,016,944

(b) Certain of the Group's bank borrowings are secured by certain of the Group's assets with aggregate carrying amounts as listed below:

	Notes	**2019** **HK$'000**	2018 HK$'000
Property and equipment	14	**77,264**	79,776
Investment properties	15	**14,902,298**	14,394,511
Pledged deposits	25(a)	**965,000**	1,327,500

(c) As at 31 December 2019 and 2018, all bank borrowings bear interest at floating interest rates.

(d) The carrying amounts of the Group's bank borrowings which are denominated in the following currencies are as follows:

	2019 **HK$'000**	2018 HK$'000
HK$	**781,500**	1,035,000
GBP	**8,166,431**	8,981,944
	8,947,931	10,016,944

(e) The Group's bank borrowings of HK$7,962,101,000 (2018: HK$8,794,532,000) are secured by pledges over the equity interests of certain subsidiaries of the Group (note 1).

(f) As at 31 December 2018, the Group's bank borrowings denominated in GBP in an aggregate amount of HK$1,058,237,000 were designated as hedges of the net investments in certain subsidiaries and a joint venture in the UK. Further details of the hedges of the net investments are set out in note 42 to the financial statements.

29. NOTES PAYABLE

	As at 31 December 2019			
	Principal at original currency	Contractual interest rate (%) per annum	Maturity	HK$'000
2019 Notes	USD250,000,000	6.35	2022	**1,922,845**

In June 2019, the Group issued guaranteed notes with an aggregate principal amount of US$250,000,000 (equivalent to HK$1,937,500,000) at a coupon rate of 6.35% per annum, which are listed on the Stock Exchange (the "2019 Notes"). The net proceeds, after deducting the issuance expenses, amounted to HK$1,919,392,000. The 2019 Notes are guaranteed by the Company and will mature in June 2022.

The Group, at its option, can redeem the 2019 Notes in whole, but not in part, at any time prior to the maturity date at the redemption prices (principal amount) plus accrued interest up to the redemption date, as set forth in the written agreement between the Group and the trustees of the 2019 Notes.

At 31 December 2019, the fair value of the 2019 Notes amounted to HK$1,928,142,000, which is based on a market price from a financial institution at the reporting date.

30. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Unrealised gains HK$'000	Total HK$'000
At 1 January 2018	302	16,836	17,138
Deferred tax charged to the statement of profit or loss during the year (note 11)	–	3,329	3,329
Exchange realignment	–	(844)	(844)
At 31 December 2018 and 1 January 2019	**302**	**19,321**	**19,623**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	**26**	**(19,022)**	**(18,996)**
Exchange realignment	**–**	**(299)**	**(299)**
At 31 December 2019	**328**	**–**	**328**

30. DEFERRED TAX *(continued)*

Deferred tax assets

	Impairment losses on financial assets HK$'000
At 1 January 2018	948
Deferred tax credited to the statement of profit or loss during the year (note 11)	3,990
At 31 December 2018 and 1 January 2019	**4,938**
Deferred tax charged to the statement of profit or loss during the year (note 11)	**(2,626)**
At 31 December 2019	**2,312**

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

As at 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised amounted to HK$364,562,000 as at 31 December 2019 (2018: HK$220,149,000).

The Group has tax losses arising in Hong Kong and the UK of HK$225,781,000 (2018: HK$225,781,000) and HK$282,368,000 (2018: HK$94,358,000), subject to the agreement by the Hong Kong Inland Revenue Department and HM Revenue & Customs, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets had not been recognised in respect of these losses as it was not considered probable that taxable profits would be available against which the tax losses can be utilised.

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

31. SHARE CAPITAL

Shares

	2019 **HK$'000**	2018 HK$'000
Authorised:		
20,000,000,000 (2018: 5,000,000,000) ordinary shares of HK$0.10 (2018: HK$0.10) each	**2,000,000**	500,000
Issued and fully paid:		
3,882,334,668 (2018: 3,882,334,668) ordinary shares of HK$0.10 (2018: HK$0.10) each	**388,233**	388,233

Share options

Details of the Company's share option schemes are set out in note 35 to the financial statements.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and the prior years are presented in the consolidated statement of changes in equity on page 42 to 43.

33. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS

For the year ended 31 December 2019

In April 2019, the Group acquired the 50% equity interest in each of Sun Vessel, Oceanic Front and Fancy Style (collectively the "Acquired Subsidiaries") from the joint venture partners of the Acquired Subsidiaries at a total cash consideration of HK$80,088,000 and the Acquired Subsidiaries became wholly-owned subsidiaries of the Group. The results of the Acquired Subsidiaries are consolidated into the Group's financial statements commencing from the acquisition date.

Sun Vessel, Oceanic Front and Fancy Style are principally engaged in vessel investment, yacht investment and vessel management, respectively and as at the date of acquisition, the Acquired Subsidiaries did not carry out any significant business transaction other than holding the relevant assets.

The above acquisitions have been accounted for by the Group as an acquisition of assets as the Acquired Subsidiaries do not constitute a business.

The net assets acquired by the Group in the above transactions are as follows:

	Sun Vessel HK$'000	Oceanic Front HK$'000	Fancy Style HK$'000	Total HK$'000
Net assets acquired:				
Property and equipment	142,448	2,998	–	145,446
Prepayments, deposits and other receivables	1,437	–	8,509	9,946
Cash and cash equivalents	–	–	6,303	6,303
Other payables and accruals	(433)	(220)	(1,198)	(1,851)
	143,452	2,778	13,614	159,844
Satisfied by:				
Cash	71,892	1,389	6,807	80,088
Pre-existing interest in the Acquired Subsidiaries at the date of acquisition	71,560	1,389	6,807	79,756
	143,452	2,778	13,614	159,844

An analysis of the cash flows in respect of the acquisition of Acquired Subsidiaries is as follows:

	Sun Vessel HK$'000	Oceanic Front HK$'000	Fancy Style HK$'000	Total HK$'000
Cash consideration	(71,892)	(1,389)	(6,807)	(80,088)
Cash and cash equivalents acquired	–	–	6,303	6,303
Net outflow of cash and cash equivalents included in cash flows from investing activities	(71,892)	(1,389)	(504)	(73,785)

34. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2019

Details of the net assets of subsidiaries disposed of and their financial impacts are summarised below:

	Note	Million Intelligence Group HK$'000 (note a)	Delight Universe Group HK$'000 (note b)	Total HK$'000
Net assets disposed of:				
Investment in an associate		334,055	–	334,055
Prepayments, deposits and other receivables		–	244,436	244,436
Cash and cash equivalents		59	–	59
Other payables and accruals		(50,892)	(40,115)	(91,007)
		283,222	204,321	487,543
Exchange fluctuation reserve released upon disposal		19,660	–	19,660
Gain on disposal of subsidiaries	5	28,041	112,249	140,290
Satisfied by cash		330,923	316,570	647,493

An analysis of the net inflow of cash and cash equivalents for the year in respect of the disposal of subsidiaries are as follows:

	Million Intelligence Group HK$'000 (note a)	Delight Universe Group HK$'000 (note b)	Total HK$'000
Cash consideration	330,923	316,570	647,493
Consideration receivable	–	(316,570)	(316,570)
Cash and cash equivalents disposed of	(59)	–	(59)
Net inflow of cash and cash equivalents included in cash flows from investing activities	330,864	–	330,864

Notes:

(a) In June 2019, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Million Intelligence (together with its sole subsidiary, the "Million Intelligence Group") to an independent third party for a consideration of RMB291,100,000 (equivalent to HK$330,923,000). The disposal of the Million Intelligence Group was completed on 28 June 2019.

(b) In December 2019, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Delight Universe Limited ("Delight Universe", together with its sole subsidiary, the "Delight Universe Group") to an independent third party for a consideration of HK$316,570,000. The disposal of the Delight Universe Group was completed on 30 December 2019.

35. SHARE OPTION SCHEMES

(A) 2005 Scheme

The Company adopted a share option scheme on 29 April 2005 ("2005 Scheme") which expired on 29 April 2015. Summary of the 2005 Scheme is set out below:

For the purpose of section (A) 2005 Scheme, reference to the "Eligible Group" means (i) the Company and each of its substantial shareholders; (ii) each associate or substantial shareholder or direct or indirect associated company or joint venture of the Company or any substantial shareholder referred to in (i) above; (iii) each associate or substantial shareholder or direct or indirect associated company or joint venture of any of the foregoing entities referred to in (ii) above; (iv) each associate or substantial shareholder or direct or indirect associated company or joint venture of any of the foregoing entities referred to in (iii) above; and (v) each associate or substantial shareholder or direct or indirect associated company or joint venture of any of the foregoing entities referred to in (iv) above; and reference to "Employee" means any full-time or part-time employee (including any executive and non-executive director, proposed executive and non-executive director) of any member of the Eligible Group.

Purpose

The purposes of the 2005 Scheme are to recognise the contribution of and to motivate Employees and other person(s) who may make a contribution to the Group, to provide incentives and to help the Group retain its existing Employees and recruit additional Employees and to provide them with a direct economic interest in attaining the long-time business objectives of the Group.

Participants

The participants include any director, officer and Employee of any member of the Eligible Group; and any executive, officer or employee of any business, consultant, professional and other advisers to any member of the Eligible Group or any person proposed to be appointed to any of the aforesaid positions who, in the sole opinion of the Board, has contributed or is expected to contribute to the Group.

Total number of shares available for issue and the percentage of the issued shares that it represents as at the date of this report

As at the date of this report, there was no share available for issue under the 2005 Scheme as the scheme expired on 29 April 2015.

Maximum entitlement of each participant

Unless approved by the shareholders of the Company at a general meeting, the total number of shares issued and to be issued upon the exercise of options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company.

Period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the 2005 Scheme at any time during a period to be notified by the Board to each grantee. Such period of time shall not exceed 10 years from the date of grant of the option.

Minimum period for which an option must be held before exercise

Such period as may be determined by the Board pursuant to the terms of the 2005 Scheme.

The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

35. SHARE OPTION SCHEMES *(continued)*

(A) 2005 Scheme *(continued)*

Basis of determining the exercise price

The exercise price per share shall be determined by the Board and shall be at least the higher of:

(i) the closing price of shares as stated in the daily quotation sheet of the Stock Exchange on the date on which the option is offered, which must be a trading day;

(ii) the average closing price of shares as stated in daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date as mentioned in (i) above; and

(iii) the nominal value of the shares.

Life of the 2005 Scheme

The 2005 Scheme shall remain in force for a period of 10 years from 29 April 2005 to 28 April 2015.

(B) 2015 Scheme

On 21 May 2015, the Company adopted a share scheme ("2015 Scheme"). Summary of the 2015 Scheme is set out below:

For the purpose of section (B) 2015 Scheme, reference to the "Eligible Group" means (i) the Company and each of its substantial shareholders; and (ii) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the Company or of a substantial shareholder referred to in (i) above; and (iii) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (ii) above; and (iv) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iii) above; and (v) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iv) above.

Purpose

To provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and to serve such other purposes as the Board may approve from time to time.

Participants

Any director (or any persons proposed to be appointed as such, whether executive or non-executive), officer or employee (whether full-time or part-time) of each member of the Eligible Group; any business consultant, professional or other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer or employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the Board.

35. SHARE OPTION SCHEMES *(continued)*

(B) 2015 Scheme *(continued)*

Total number of shares available for issue and the percentage of the issued shares that it represents as at the date of this report

258,822,311 shares, representing 6.67% of the issued shares as at 20 March 2020.

Maximum entitlement of each participants

Subject to the terms of the 2015 Scheme, not exceeding 1% of the total number of issued shares in any 12-month period.

Period within which the shares must be taken up under an option

Such period as determined by the Board pursuant to the 2015 Scheme, which shall expire not later than 10 years from the date of grant of the option.

Minimum period for which an option must be held before exercise

Such period as may be determined by the Board pursuant to the terms of the 2015 Scheme.

The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

HK$1.00, if demanded by the Company, within 7 days of the date of the demand.

Basis of determining the exercise price

Subject to the terms of the 2015 Scheme, the exercise price shall be a price solely determined by the Board and shall not less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and

(iii) the nominal value of a Share on the date of grant of the option.

Life of the 2015 Scheme

Subject to the terms of the 2015 Scheme, 10 years commencing on 21 May 2015.

35. SHARE OPTION SCHEMES *(continued)*

No share options were granted under the 2015 Scheme since its adoption and up to 31 December 2019. The movement of share options under the 2005 Scheme during the year is as follows:

	2019 Weighted average exercise price HK$ per share	Number of options '000	2018 Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**3.25**	**64,162**	3.25	64,162
Lapsed during the year	**3.22**	**(17,857)**	–	–
At 31 December	**3.26**	**46,305**	3.25	64,162

There were no share options exercised under the 2005 Scheme during the years ended 31 December 2019 and 2018.

The exercise prices and exercise periods of the share options outstanding under the 2005 Scheme as at the end of the reporting period are as follows:

2019

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
41,435	3.2624	03-09-2010 to 02-09-2020
4,870	3.2624	01-01-2011 to 02-09-2020
46,305		

2018

Number of options '000	Exercise price* HK$ per share	Exercise period
17,756	3.2229	07-05-2009 to 06-05-2019
41,536	3.2624	03-09-2010 to 02-09-2020
4,870	3.2624	01-01-2011 to 02-09-2020
64,162		

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

No share option expense was recognised by the Group during the year (2018: Nil).

At the end of the reporting period, the Company had 46,305,000 (2018: 64,162,000) share options outstanding under the 2005 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 46,305,000 (2018: 64,162,000) additional ordinary shares of the Company and additional share capital of HK$4,631,000 (2018: HK$6,416,000) and share premium of HK$146,436,000 (2018: HK$202,205,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 46,305,000 share options outstanding under the 2005 Scheme, which represented approximately 1.2% of the Company's shares in issue as at that date.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$2,606,000 and HK$2,606,000, respectively, in respect of lease arrangements for office properties (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Notes payables HK$'000	Lease liabilities HK$'000	Interest-bearing bank borrowings HK$'000
At 1 January 2018	–	–	13,635,111
Changes from financing cash flows	–	–	(3,022,280)
Amortisation of loan procurement fee	–	–	17,905
Foreign exchange movement	–	–	(613,792)
At 31 December 2018	**–**	**–**	**10,016,944**
Effect of adoption of HKFRS 16	**–**	**55,292**	**–**
At 1 January 2019 (restated)	**–**	**55,292**	**10,016,944**
Changes from financing cash flows	**1,919,392**	**(18,745)**	**(1,324,002)**
Amortisation of loan procurement fee	**3,453**	**–**	**17,718**
New leases	**–**	**2,606**	**–**
Interest expense	**–**	**1,892**	**–**
Interest paid classified as operating cash flows	**–**	**(1,892)**	**–**
Foreign exchange movement	**–**	**(103)**	**237,271**
At 31 December 2019	**1,922,845**	**39,050**	**8,947,931**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 HK$'000
Within operating activities	**3,635**
Within financing activities	**18,745**
	22,380

37. COMMITMENTS

(a) The Group had the following commitments at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for:		
Property and equipment	**14,355**	7,458
Investment properties	**719**	–
Investment in an unlisted fund investment	**–**	282,090
Capital contributions payable to joint ventures	**2,931,571**	1,230,638
Capital contributions payable to an associate	**586,323**	–
	3,532,968	1,520,186

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for	**1,653,051**	3,551,455

(b) Operating lease commitments as at 31 December 2018:

The Group leased certain office properties and staff quarters under operating lease arrangements. The leases for the office properties and staff quarters were negotiated for terms of one to four years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000
Within one year	20,372
In the second to fifth years, inclusive	42,418
	62,790

38. FINANCIAL GUARANTEES

(a) As at 31 December 2019, the Group has given a guarantee to a vendor in connection with the acquisition of a freehold land held by a joint venture amounted to HK$204,330,000 (2018: HK$248,413,000).

(b) As at 31 December 2019, the Group has given a guarantee to a bank in connection with a facility granted to a joint venture up to HK$1,118,707,000 (2018: HK$1,088,047,000), and the related banking facility was fully utilised as at 31 December 2019 and 2018.

(c) As at 31 December 2019, the Group has given guarantees to a bank and an independent third party in connection with facilities granted to associates up to HK$1,479,375,000 (2018: HK$1,500,000,000), and the related facilities were utilised to the extent of HK$1,479,375,000 (2018: HK$1,500,000,000).

(d) As at 31 December 2019, the Group has given guarantees to certain financial institutions in connection with the Group's equity contribution commitment in a joint venture up to HK$1,666,255,000 (2018: Nil), and the cost overrun guarantee in respect of the project developments costs of a joint venture up to HK$842,861,000 (2018: Nil).

The Group did not recognise any liabilities in respect of such financial guarantees as the directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant.

39. RELATED PARTY TRANSACTIONS

(a) Details of the Group's balances with joint ventures as at the end of the reporting period are set out in notes 23 and 26 to the financial statements.

(b) As at 31 December 2019, the Group has given guarantees to (i) a vendor in connection with the acquisition of a freehold land held by a joint venture; (ii) banks in connection with banking facilities granted to a joint venture and an associate; (iii) independent third parties in connection with loan facilities granted to an associate; (iv) certain financial institutions in connection with the Group's equity contribution commitment in a joint venture and cost overrun guarantee in respect of the project development costs of a joint venture. Details of the financial guarantees given by the Group to its joint ventures and associates are set out in note 38 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2019 **HK$'000**	2018 HK$'000
Short term employee benefits paid to key management personnel	**79,186**	78,868

Further details of directors' emoluments are included in note 9 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

Except for financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments, which are measured at fair value, the financial assets and liabilities of the Group as at 31 December 2019 and 2018 are financial assets at amortised cost and financial liabilities at amortised cost.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted bank balances, deposits with brokerage companies, trade receivables, financial assets included in prepayments, deposits and other receivables, loans and interest receivables, the current portion of financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

The Group's finance department headed by the directors is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The financial controller reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of interest-bearing bank borrowings, notes payable and non-current portion of financial liabilities included in other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings, notes payable and financial liabilities included in other payables as at 31 December 2019 was assessed to be insignificant. Management has assessed that the fair value of the non-current portion of interest-bearing bank borrowings, notes payable and financial liabilities included in other payables approximate to its carrying amount.

The fair values of listed equity investments and debt investments are based on quoted market prices. The fair values of unlisted fund investments are derived from the net asset value per share of the investments or latest transaction prices. The fair value of the convertible loans has been estimated by using valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values which are recorded in the consolidated statement of financial position with net changes in fair value recognised in the statement of profit or loss or other comprehensive income, as appropriate, in the year ended 31 December 2019, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with credit ratings ranging from A+ to AA-. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

As at 31 December 2019, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a sensitivity analysis as at 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Convertible loans classified as financial assets at fair value through profit or loss	Black-Scholes Model	Effective interest rate	19.71%	1% increase (decrease) in effective interest rate would have no material impact on the fair value
		Volatility	57.51%	1% increase (decrease) in volatility would have no material impact on the fair value

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Assets measured at fair value:				
As at 31 December 2019				
Financial assets at fair value through other comprehensive income:				
Listed equity investments	**649,689**	**–**	**–**	**649,689**
Debt investments	**–**	**365,798**	**–**	**365,798**
Financial assets at fair value through profit or loss:				
Listed equity investments	**223,561**	**–**	**–**	**223,561**
Unlisted fund investments	**–**	**605,720**	**–**	**605,720**
Convertible loans	**–**	**–**	**77,419**	**77,419**
Derivative financial instruments	**–**	**3,247**	**–**	**3,247**
	873,250	**974,765**	**77,419**	**1,925,434**
As at 31 December 2018				
Financial assets at fair value through other comprehensive income:				
Listed equity investments	931,585	–	–	931,585
Debt investments	–	436,377	–	436,377
Financial assets at fair value through profit or loss:				
Listed equity investments	191,995	–	–	191,995
Unlisted fund investments	–	1,445,963	–	1,445,963
Derivative financial instruments	56,540	72,394	–	128,934
	1,180,120	1,954,734	–	3,134,854

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(continued)

Fair value hierarchy *(continued)*

There was no liability measured at fair value as at 31 December 2019 and 2018.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities. There were also no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: no transfers into or out of Level 3 for financial liabilities but there were transfers out of Level 3 for financial assets).

The movements in fair value measurements within Level 3 during the year are as follows:

	2019 HK$'000	2018 HK$'000
Financial assets at fair value through profit or loss:		
At 1 January	**–**	164,157
Acquisitions	**69,928**	–
Total gains recognised in the statement of profit or loss included in other income	**7,491**	–
Transfer from Level 3 to Level 2*	**–**	(164,157)
At 31 December	**77,419**	–

* The transfer from Level 3 to Level 2 was due to the availability of the transaction price of the relevant investments in the market.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial instruments, loans and interest receivables, trade receivables, deposits and other receivables, other payables, interest-bearing bank borrowings, notes payable, deposits with brokerage companies, pledged deposits, restricted bank balances and cash and cash equivalents. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's pledged deposits, restricted bank balances, cash and cash equivalents and bank borrowings with floating interest rates. The Group monitors the movement in interest rates on an ongoing basis and evaluates the exposure and the costs of available hedging for its debt obligations.

To manage its interest cost, the Group entered into interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2019, after taking into the effect of the interest rate swaps, approximately 57% (2018: 49%) of the Group's interest-bearing bank borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on pledged deposits, restricted bank balances, cash and cash equivalents and bank borrowings with floating rates held by the Group at the end of the reporting period after taking into the effect of the interest rate swaps). There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2019		
HK$	**100**	**18,494**
US$	**100**	**31,318**
RMB	**150**	**17,405**
GBP	**100**	**(29,401)**
HK$	**(100)**	**(18,494)**
US$	**(100)**	**(31,318)**
RMB	**(150)**	**(17,405)**
GBP	**(100)**	**29,401**
2018		
HK$	100	29,335
US$	100	11,710
RMB	150	8,147
GBP	100	(35,443)
HK$	(100)	(29,335)
US$	(100)	(11,710)
RMB	(150)	(8,147)
GBP	(100)	35,443

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group is exposed to currency risks primarily through business activities which give rise to receivables, payables and cash and bank balances that are denominated in currency other than the functional currency of the operations to which the transactions relate.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currency of the operations, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in rates	**Increase/ (decrease) in profit before tax HK$'000**
2019		
If HK$ weakens against RMB	**5%**	**48,202**
If HK$ strengthens against RMB	**(5%)**	**(48,202)**
If HK$ weakens against GBP	**10%**	**20,315**
If HK$ strengthens against GBP	**(10%)**	**(20,315)**
If HK$ weakens against AUD	**10%**	**8,147**
If HK$ strengthens against AUD	**(10%)**	**(8,147)**
2018		
If HK$ weakens against RMB	5%	47,114
If HK$ strengthens against RMB	(5%)	(47,114)
If HK$ weakens against GBP	10%	16,997
If HK$ strengthens against GBP	(10%)	(16,997)

Results of the analysis as presented in the above table represent the effects on profit before tax of each of the Group's entities measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those monetary assets and liabilities held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency and the bank borrowings that are designated as hedges of the Group's net investments in its subsidiaries and a joint venture in the UK (see discussion below).

Hedges of net investments

A foreign currency exposure arises from net investments in subsidiaries, joint ventures and associates that have a different functional currency from that of the Company. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries, joint ventures and associates and the Company's functional currency, which causes the amount of the net investments to vary. This risk may have a significant impact on the Group's consolidated financial statements.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

Hedges of net investments *(continued)*

The Group hedged its exposure to GBP foreign exchange risk on the net investments in the relevant subsidiaries and joint venture.

The Group uses a mixture of forward currency contracts and foreign currency-denominated bank borrowings as hedging instruments. There is an economic relationship between the hedged items and the hedging instruments as the currency of the forward currency contracts and bank borrowings match the functional currency of the relevant subsidiaries and joint venture. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the forward currency contracts and foreign currency-denominated bank borrowings are identical to the hedged risk components.

When the hedging instrument is foreign currency-denominated bank borrowings, the Group assesses effectiveness by comparing past changes in the carrying amount of the bank borrowings that are attributable to a change in the spot rate with past changes in the investment in the foreign operation due to movement in the spot rate (the offset method).

When the hedging instrument is forward currency contracts, the Group assesses effectiveness by comparing past changes in the fair value of the derivative with past changes in the investment in the foreign operation due to movement in the spot rate.

Hedge ineffectiveness can arise from the decline in carrying value of the net investment in the relevant subsidiaries and joint venture below the notional amount of forward currency contracts and foreign currency-denominated bank borrowings.

The aggregate carrying amount of the Group's net investments in subsidiaries and joint ventures as at 31 December 2019 in the UK was HK$9,123,172,000 (2018: HK$8,382,237,000). The Group has terminated all of the hedge relationships during the year ended 31 December 2019 and the extent of the Group's net investments in subsidiaries and a joint venture as at 31 December 2018 in the UK hedged by hedging instruments was HK$3,194,585,000. Foreign exchange gains of the net investments in subsidiaries and a joint venture used as the basis for recognising hedge ineffectiveness for the year was HK$45,205,000 (2018: foreign exchange losses of HK$269,931,000) and was recognised in the Group's other comprehensive income for the year and accumulated in the exchange fluctuation reserve in equity. As at 31 December 2019, foreign exchange gains of HK$353,789,000 (2018: foreign exchange gains of HK$308,584,000) on translation of the net investments in subsidiaries and a joint venture were accumulated in the exchange fluctuation reserve in equity.

The Group has settled all of the GBP denominated bank borrowings and forward contracts that are designated as hedges of the Group's net investments in subsidiaries and a joint venture in the UK during the year ended 31 December 2019. The carrying amount of the GBP denominated bank borrowings and the fair value gain of the forward currency contracts as at 31 December 2018 that are designated as hedges of the Group's net investments in subsidiaries and a joint venture in the UK was HK$1,058,237,000 and HK$56,540,000, respectively. A total foreign exchange loss of HK$18,756,000 (2018: foreign exchange gain of HK$144,787,000) on translation of the bank borrowings to HK$ and a fair value loss of HK$44,760,000 (2018: fair value gain of HK$125,144,000) on forward currency contracts were recognised in the Group's other comprehensive income for the year and accumulated in the exchange fluctuation reserve in equity. A fair value loss of HK$18,311,000 relating to the ineffectiveness from hedges of net investments was recognised in the statement of profit or loss for the year (2018: fair value gain of HK$18,311,000). As at 31 December 2019, foreign exchange losses of HK$365,569,000 (2018: HK$346,813,000) on translation of the bank borrowings to HK$ and fair value gains of HK$11,780,000 (2018: HK$38,229,000) on forward currency contract were accumulated in the exchange fluctuation reserve in equity.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Debt investments at fair value through other comprehensive income					
– Credit rating of B	365,798	–	–	–	365,798
Trade receivables	–	–	–	9,449	9,449
Loans and interest receivables	913,152	–	–	–	913,152
Financial assets included in prepayments, deposits and other receivables					
– Normal*	1,139,383	–	–	–	1,139,383
Deposits with brokerage companies	10,394	–	–	–	10,394
Pledged deposits	965,000	–	–	–	965,000
Restricted bank balances	67,088	–	–	–	67,088
Cash and cash equivalents	6,029,457	–	–	–	6,029,457
	9,490,272	–	–	9,449	9,499,721

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Debt investments at fair value through other comprehensive income – Credit rating of B	436,377	–	–	–	436,377
Trade receivables	–	–	–	5,679	5,679
Loans and interest receivables	600,343	–	–	–	600,343
Financial assets included in prepayments, deposits and other receivables – Normal*	89,761	–	–	–	89,761
Deposits with brokerage companies	11,238	–	–	–	11,238
Pledged deposits	1,327,500	–	–	–	1,327,500
Restricted bank balances	142,907	–	–	–	142,907
Cash and cash equivalents	4,701,508	–	–	–	4,701,508
	7,309,634	–	–	5,679	7,315,313

* The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments included in financial assets at fair value through profit or loss (note 20) and financial assets at fair value through other comprehensive income (note 19) as at 31 December 2019. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year are as follows:

	31 December 2019	**High/low 2019**	31 December 2018	High/low 2018
Hong Kong – Hang Seng Index	**28,190**	**30,280/24,897**	25,846	33,484/24,541

The following table demonstrates the sensitivity to every 10% decrease (2018: 10% decrease) in the fair values of the listed equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the listed equity investments included in financial assets at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve (non-recycling).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk *(continued)*

	Carrying amount of equity investments HK$'000	Decrease in profit before tax HK$'000	Decrease in other components of equity HK$'000
2019			
Equity investments listed in Hong Kong:			
– Financial assets at fair value through profit or loss	**223,561**	**(22,356)**	**–**
– Financial assets at fair value through other comprehensive income	**649,689**	**–**	**(64,969)**
Total	**873,250**	**(22,356)**	**(64,969)**
2018			
Equity investments listed in Hong Kong:			
– Financial assets at fair value through profit or loss	191,995	(19,200)	–
– Financial assets at fair value through other comprehensive income	931,585	–	(93,159)
Total	1,123,580	(19,200)	(93,159)

The Group's management manages the above exposure by maintaining a well-diversified investment portfolio.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and available funding through an adequate amount of committed credit facilities to meet its projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay, was as follows:

	2019				
	On demand HK$'000	**Within 1 year HK$'000**	**1 to 2 years HK$'000**	**3 to 5 years HK$'000**	**Total HK$'000**
Interest-bearing bank borrowings (Note)	**985,830**	**250,117**	**248,172**	**7,970,796**	**9,454,915**
Lease liabilities	**–**	**19,492**	**15,490**	**5,716**	**40,698**
Notes payables	**–**	**123,031**	**123,031**	**1,999,016**	**2,245,078**
Financial liabilities included in other payables and accruals (excluding lease liabilities)	**59,560**	**94,630**	**–**	**–**	**154,190**
	1,045,390	**487,270**	**386,693**	**9,975,528**	**11,894,881**
Financial guarantees issued: Maximum amount guaranteed	**5,311,528**	**–**	**–**	**–**	**5,311,528**

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	2018				
	On demand HK$'000	Within 1 year HK$'000	1 to 2 years HK$'000	3 to 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings (Note)	2,222,412	245,094	244,194	7,958,533	10,670,233
Financial liabilities included in other payables and accruals	301,809	51,703	–	–	353,512
	2,524,221	296,797	244,194	7,958,533	11,023,745
Financial guarantees issued: Maximum amount guaranteed	2,836,460	–	–	–	2,836,460

Note:

Included in interest-bearing bank borrowings of the Group are term loans with an aggregate principal amount of HK$985,830,000 as at 31 December 2019 (2018: HK$2,222,412,000) of which the respective loan agreements contain a repayment on demand clause giving the banks the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that these bank loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the respective loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the consolidated financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the bank loans, the contractual undiscounted payments (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) are as follows:

	Within 1 year HK$'000	**1 to 2 years HK$'000**	**3 to 5 years HK$'000**	**Total HK$'000**
31 December 2019	**990,564**	**12,950**	**10,659**	**1,014,173**
31 December 2018	2,193,173	9,684	23,502	2,226,359

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using net gearing ratio, which is net debts divided by equity attributable to owners of the parent. Net debts include interest-bearing bank borrowings and notes payable less cash and bank balances and time deposits. The net gearing ratios as at the end of the reporting periods were as follows:

	2019 **HK$'000**	2018 HK$'000
Interest-bearing bank borrowings (note 28)	**8,947,931**	10,016,944
Notes payable (note 29)	**1,922,845**	–
Less: Cash and bank balances and time deposits (note 25)	**(7,061,545)**	(6,171,915)
Net debts	**3,809,231**	3,845,029
Equity attributable to owners of the parent	**17,506,388**	17,123,490
Net gearing ratio	**21.8%**	22.5%

43. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Property and equipment	**36**	44
Golf club membership	**10,540**	10,540
Investments in subsidiaries	**1,000,390**	1,000,390
Total non-current assets	**1,010,966**	1,010,974
CURRENT ASSETS		
Prepayments, deposits and other receivables	**42,817**	821
Due from subsidiaries	**11,814,823**	11,730,852
Deposits with a brokerage company	**50**	50
Cash and cash equivalents	**108**	125
Total current assets	**11,857,798**	11,731,848
CURRENT LIABILITIES		
Other payables and accruals	**86,605**	40,346
Total current liabilities	**86,605**	40,346
NET CURRENT ASSETS	**11,771,193**	11,691,502
Net assets	**12,782,159**	12,702,476
EQUITY		
Issued capital	**388,233**	388,233
Reserves (Note)	**12,393,926**	12,314,243
Total equity	**12,782,159**	12,702,476

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:
A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	11,977,078	165,272	275,567	12,417,917
Total comprehensive loss for the year	–	–	(26,027)	(26,027)
Final 2017 dividend approved	–	–	(77,647)	(77,647)
At 31 December 2018 and 1 January 2019	**11,977,078**	**165,272**	**171,893**	**12,314,243**
Total comprehensive income for the year	**–**	**–**	**157,330**	**157,330**
Final 2018 dividend approved	**–**	**–**	**(77,647)**	**(77,647)**
Lapse of share options	**–**	**(26,453)**	**26,453**	**–**
At 31 December 2019	**11,977,078**	**138,819**	**278,029**	**12,393,926**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited after the vesting period.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 20 March 2020.

Five-Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years as extracted from the published audited financial statements is set out below.

RESULTS

	Year ended 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
REVENUE	**564,636**	651,104	464,561	1,129,416	6,620,237
PROFIT/(LOSS) BEFORE TAX	**401,766**	190,570	303,493	(289,889)	3,323,920
Income tax credit/(expense)	**12,257**	(19,471)	(11,617)	(66,867)	(1,682,307)
PROFIT/(LOSS) FOR THE YEAR	**414,023**	171,099	291,876	(356,756)	1,641,613
Attributable to:					
Owners of the parent	**414,023**	171,099	291,876	(356,756)	1,366,665
Non-controlling interests	**–**	–	–	–	274,948
	414,023	171,099	291,876	(356,756)	1,641,613

ASSETS AND LIABILITIES

	At 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Property and equipment	**301,405**	105,681	99,815	103,837	21,977
Investment properties	**14,902,298**	14,394,511	15,228,933	–	–
Golf club membership	**10,540**	10,540	10,540	10,540	10,540
Investments in joint ventures	**2,589,186**	2,736,999	3,358,046	319,907	125,992
Investments in associates	**574,221**	914,929	227,116	142,666	283,550
Financial assets at fair value through other comprehensive income	**816,872**	1,291,140	–	–	–
Financial assets at fair value through profit or loss	**605,720**	1,445,963	–	–	–
Available-for-sale investments	**–**	–	2,687,399	2,963,697	3,489,172
Prepayments, deposits and other receivables	**8,052**	280,808	–	–	–
Derivative financial instruments	**3,247**	72,394	44,739	–	–
Properties under development	**–**	–	–	–	671,340
Consideration receivable on disposal of subsidiaries	**–**	–	–	–	1,140,382
Deferred tax assets	**2,312**	4,938	–	–	12,440
Non-current assets	**19,813,853**	21,257,903	21,656,588	3,540,647	5,755,393
Current assets	**9,665,082**	7,180,954	10,514,449	11,095,824	11,330,611
Current liabilities	**(2,134,276)**	(3,567,258)	(8,837,617)	(1,343,787)	(2,583,855)
Net current assets	**7,530,806**	3,613,696	1,676,832	9,752,037	8,746,756
Non-current liabilities	**(9,838,271)**	(7,748,109)	(6,487,671)	(23,896)	(370,947)
Equity attributable to owners of the parent	**17,506,388**	17,123,490	16,845,749	13,268,788	14,131,202

PROPERTY INTEREST HELD BY THE GROUP FOR INVESTMENT

Property Name	Property Location	Usage	Attributable Area (sqf)	Tenure	The Group's Interest
One Kingdom Street	One Kingdom Street, London W2 6BD, United Kingdom	Office and Car parking spaces	265,000	Freehold Interest	100%
The Leadenhall Building	122 Leadenhall Street, London EC3V 4AB, United Kingdom	Office, Retail and Car parking spaces	610,000	Freehold Interest	100%

Definitions

"AGM"	the annual general meeting of the Company to be held on 18 May 2020
"AUD"	Australian dollars, the lawful currency of Australia
"Australia"	the Commonwealth of Australia
"Board"	the board of Directors
"Bye-laws"	the bye-laws of the Company
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Companies Act"	Companies Act 1981 of Bermuda as amended from time to time
"Company"	C C Land Holdings Limited
"Director(s)"	the director(s) of the Company
"ESR"	Environmental and Social Responsibilities
"GBP"	British Pound Sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland
"Group"	the Company and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rate
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"kWh"	Kilowatt hour
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC" or "China" or "Mainland China"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company
"sqf"	square feet
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UK"	United Kingdom, the United Kingdom of Great Britain and Northern Ireland
"US$" or "USD"	United States dollars, the lawful currency of the United States of America
"%"	per cent