SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 00755

ANNUAL REPORT 2019

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BOARD AND COMMITTEES

BOARD

Executive Directors

Mr. Wang Letian *(Chairman)*
Mr. Qin Renzhong
Mr. He Haiyang
Mr. Tang Jian

Non-executive Directors

Ms. Wang Zheng
Mr. Gong Ping
Ms. Jiang Zhengyan

Independent non-executive Directors

Mr. Chow Alexander Yue Nong
Dr. Xu Changsheng
Mr. Ng Man Kung
Mr. How Sze Ming
Dr. Di Ruipeng

COMMITTEES

Audit Committee

Mr. How Sze Ming *(Chairman)*
Mr. Chow Alexander Yue Nong
Mr. Ng Man Kung
Dr. Di Ruipeng

Remuneration Committee

Mr. Chow Alexander Yue Nong *(Chairman)*
Mr. Wang Letian
Mr. Ng Man Kung
Mr. How Sze Ming
Dr. Di Ruipeng

Nomination Committee

Mr. Wang Letian *(Chairman)*
Mr. Chow Alexander Yue Nong
Mr. Ng Man Kung
Dr. Di Ruipeng

CORPORATE INFORMATION

PRINCIPAL BANKERS

Bank of China
China Citic Bank International Limited
Bank of Communication
China Bohai Bank
Agricultural Bank of China
Bank of Beijing
China Mingsheng Bank
Bank of Dalian
Industrial and Commercial Bank of China

SOLICITORS

Hong Kong

Slaughter and May
47th Floor
Jardine House
One Connaught Place
Central
Hong Kong

Bermuda

Appleby
2206-19
Jardine House
1 Connaught Place
Central
Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor,
31 Victoria Street, Hamilton HM 10,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6508,65/F, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

COMPANY SECRETARY

Mr. Wong Ngan Hung

QUALIFIED ACCOUNTANT

Mr. Wong Ngan Hung

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
Level 54, Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The board of directors (the "**Directors**") of Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") hereby announces the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (the "**year**" or "**year under review**").

During the year under review, the Group recorded a turnover of approximately HK$1,348,592,000, representing a significant decrease of HK$5,823,445,000 as compared with approximately HK$7,172,037,000 for 2018. The significant decrease in turnover was mainly due to the fact that the key projects of the Group, being the third phase of the "Nanjing Himalayas Center" and the second phase of Riverside Mansion（濱江閱公館）of "Riverside Thumb Plaza" in Nanjing, are still in the stage of pre-sale, and it is expected that they could be delivered to buyers and the turnover shall be recognised in 2020. The turnover of the Group for the year was mainly attributed to:

- revenue recognition of service apartments, commercial units, office buildings and hotels of the first and second phases of Nanjing Himalayas Center

- revenue recognition of the apartments and commercial units of the first and second phases of Riverside Thumb Plaza in Nanjing

- revenue recognition of residential properties in Nantong, Xizhen and Haimen

- hotel operation, rental and property management income

Loss attributable to shareholders of the Company (the "**Shareholders**") was approximately HK$1,058,026,000 as compared to the loss of approximately HK$905,485,000 for the year ended 31 December 2018. Basic loss per share of the Company (the "**Share**") was HK$7.11 cents (basic loss per Share for 2018: HK$6.09 cents). The Group recorded an increase in loss for the year, which was attributable to a substantial decline in turnover and gross profit during the year.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

During the year under review, with the development and operation for multiple types of properties including residential, office buildings, art hotels, art galleries, and complexes, Shanghai Zendai has risen as a comprehensive urban developer with commercial real estate as its core business. Relying on its complete construction, operation and management capabilities and independent teams responsible for planning and development, investment promotion programming, operation and property management, Shanghai Zendai has developed its domestic business presence with Shanghai and Nanjing as the centre and radiating outwards into major cities nationwide.

During the year, projects in the first and second tier cities, such as the "Nanjing Himalayas Center" project and the "Riverside Thumb Plaza" project in Nanjing remained the major sales, and thus the important drivers for the Group's future turnover growth. Following the Nanjing Himalayas Center project of Nanjing Zendai being honored as the "Benchmarking Project for the Commercial Property Sector of China in 2018" and being ranked among the TOP10 Commercial Property Developers of China for 2018 in terms of brand value, the Nanjing Himalayas Center project won yet another award. In the one-year MAD X exhibition launched in Center Pompidou in 2019, the Nanjing Himalayas architectural model was collected by Center Pompidou as a permanent collection. The shopping mall is tentatively scheduled to bloom gorgeously in the end of the year, when it will open a new era for art shopping malls in Nanjing. In Shanghai, the Group, leveraging its solid strength established over years of operation, kept on exploring new development opportunities.

The Group intends to dispose the "Zendai Garden-Riverside Town" project in Haimen by way of a public tender, a further step to realise the development strategy of gradually stripping off its business from the non-core developing areas. While actively seeking for any opportunity that can enable it to strip off its projects from these cities, and operating under such an asset-light business strategy, the Group is capable of concentrating resources and efforts in extensively exploring development potential in Nanjing, Shanghai and other major cities, and continually deploying and planning for quality and industry benchmarking commercial and residential property projects.

CHAIRMAN'S STATEMENT

Commercial Property Projects in China

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza (the "**Plaza**") is an integrated commercial complex in a prime location adjacent to Shanghai's Century Park and the Lujiazui financial district. As at 31 December 2019, the Group still owns 40,333 square metres of commercial space and 430 underground carparking spaces in the Plaza. As at 31 December 2019, more than 94% of the commercial space in the Plaza has been leased. Rental received during the year was approximately RMB67,773,000 (equivalent to approximately HK$76,875,000).

Grand Mercure Shanghai Century Park

The Group's five-star Grand Mercure Shanghai Century Park is located in the Plaza. The 18-storey hotel, which is managed under the "Grand Mercure" brand by HUAZHU Hotel Group, boasts a gross floor area of 31,530 square metres and 361 guest rooms, a four storey ancillary building and one level of basement. During the year under review, the average occupancy rate of the hotel was 78%, and total income amounted to approximately RMB67,717,000 (equivalent to approximately HK$76,811,000).

Shanghai Himalayas Center

The Group's 45%-owned Shanghai Himalayas Center is located in the heart of Pudong, Shanghai. Designed by Arata Isozaki, an internationally acclaimed architect, it is a landmark within the Pudong New District. The Shanghai Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, shopping mall and other auxiliary facilities (comprising the DaGuan Theatre and the Himalayas Art Museum). The project occupies a site area of 28,893 square metres with a total gross floor area of approximately 162,207 square metres (including underground carparking space of 26,287 square metres).

The Jumeirah Himalayas Hotel Shanghai, a luxury five-star hotel managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a gross floor area of 60,452 square metres, providing 393 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with Metro Line 7 and is within walking distance to the maglev station. The average occupancy rate of the hotel during the year under review was 74%, with a total revenue of approximately RMB217,514,000 (equivalent to approximately HK$246,726,000). The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. In recent years, the hotel was successively awarded "Best Business Hotel of 2019" by Meituan Hotel, Expedia group – Best Customer Engagement and Tripadvisor – Certificate of Excellence 2019. Shang-High Cuisine Restaurant was awarded as Ctrip Gourmet List Selected Restaurant in 2019 by Ctrip and as an one-star restaurant by Michelin Guide Shanghai. During the year under review, an average of approximately 71% of the commercial space of the shopping centre in Shanghai Himalayas Center with a leasable area of 23,362 square metres was leased, with a rental income of approximately RMB71,647,000 (equivalent to approximately HK$81,269,000).

Nanjing

Nanjing Himalayas Center

The Group is developing the G15 land parcel in a prime location around Nanjing South Train Station into Nanjing Himalayas Center with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 619,462 square metres. The project is being developed in three phases.

The first phase of the project has a gross floor area of approximately 182,658 square metres, including 20,394 square metres of service apartments, 3,437 square metres of commercial space, 71,084 square metres of office building, 19,558 square metres of hotel and 68,185 square metres of underground car-parking space. The first phase, with a total saleable area of 132,380 square metres, including 20,164 square metres of service apartments, 3,437 square metres of commercial space, 70,283 square metres of office building, 13,964 square metres of car-parking space and 24,532 square metres of hotel, commenced pre-sale in April 2015. A total amount of RMB58,862,000 (equivalent to approximately HK$66,767,000) was recognised as turnover during the year. The Group had signed a contract for sale of the hotel portion with a total contract value# of RMB364,640,000 (equivalent to approximately HK$413,612,000) and RMB347,276,000 (equivalent to approximately HK$393,916,000) was recognised as turnover. As at 31 December 2019, the majority of the first phase of the project had been sold. Cumulative areas of 20,164 square metres, 3,317 square metres, 67,826 square metres, 3,485 square metres and 24,532 square metres of service apartments, commercial space, office building, car-parking space and hotel had been sold respectively, generating a total contract value of RMB340,574,000 (equivalent to approximately HK$386,314,000), RMB129,031,000 (equivalent to approximately HK$146,360,000), RMB1,206,564,000 (equivalent to approximately HK$1,368,607,000), RMB26,431,000 (equivalent to approximately HK$29,981,000) and RMB364,640,000 (equivalent to approximately HK$413,612,000) respectively.

Nanjing Himalayas Center

Value added tax is included in the total contract value

The second phase of the project, covering a gross floor area of approximately 208,488 square metres, is planned to be developed into service apartments, a commercial complex, commercial streets and office buildings, including 53,967 square metres of service apartments, 17,968 square metres of commercial space, 53,136 square metres of office building and 83,417 square metres of underground car-parking space. The second phase of the project commenced pre-sale in July 2016, with a total saleable area of 144,860 square metres, including 52,677 square metres of service apartments, 16,648 square metres of commercial space, 50,199 square metres of office building and 25,336 square metres of underground car-parking space. During the year under review, total contracted areas of service apartments, office building and underground car-parking space of 546 square metres, 623 square metres and 2,653 square metres were sold respectively, generating a total contract value of RMB9,462,000 (equivalent to approximately HK$10,733,000), RMB10,022,000 (equivalent to approximately HK$11,368,000) and RMB23,203,000 (equivalent approximately HK$26,319,000) respectively. During the year, the delivered areas of service apartments, commercial space and office building were 2,098 square metres, 1,259 square metres and 2,498 square metres respectively, with a total contract value of RMB37,441,000 (equivalent to approximately HK$42,469,000), RMB36,543,000 (equivalent to approximately HK$41,451,000) and RMB39,454,000 (equivalent to approximately HK$44,753,000) respectively. During the year, a total amount of RMB108,009,000 (equivalent to approximately HK$122,515,000) was recognised as turnover. As at 31 December 2019, the majority of the second phase of the project had been sold. As at 31 December 2019, the cumulative areas of 52,583 square metres, 16,577 square metres, 50,199 square metres and 2,653 square metres of service apartments, commercial space, office building and underground car parking space had been sold respectively, generating a total contract value of RMB1,004,258,000 (equivalent to approximately HK$1,139,131,000), RMB615,754,000 (equivalent to approximately HK$698,451,000), RMB885,366,000 (equivalent to approximately HK$1,004,272,000) and RMB23,203,000 (equivalent to approximately HK$26,319,000) respectively.

The third phase of the project, covering a gross floor area of approximately 228,316 square metres, is intended to be developed into service apartments, a commercial complex and office buildings, including 15,843 square metres of service apartments, 82,886 square metres of commercial space, 57,962 square metres of office building and 71,625 square metres of underground car-parking space. The third phase of the project commenced pre-sale in the first half of 2018, with a total saleable area of 69,441 square metres, including 14,922 square metres of service apartments and 54,519 square metres of office building. During the year under review, total contracted areas of service apartments and office building of 2,285 square metres and 25,026 square metres were sold, respectively, generating a total contract value of RMB50,838,000 (equivalent to approximately HK$57,666,000) and RMB479,235,000 (equivalent to approximately HK$543,597,000), respectively. A total amount of RMB81,981,000 (equivalent to approximately HK$92,991,000) was recognised as turnover during the year. As at 31 December 2019, the cumulative areas of 14,188 square metres and 35,732 square metres of service apartments and office building had been sold respectively, generating a total contract value of RMB349,711,000 (equivalent to approximately HK$396,678,000)and RMB688,029,000 (equivalent to approximately HK$780,432,000) respectively. The third phase of the project is expected to be delivered in the second half of 2020.

The First Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns a parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 13,220 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 84,770 square metres, including 78,548 square metres of apartments and 6,222 square metres of commercial space. Construction of the project commenced in June 2014 and pre-sale started in December 2015, with a total saleable area of 85,487 square metres, comprising 77,374 square metres of apartments, 3,786 square metres of commercial space and 4,327 square metres of underground car parking space. As at 31 December 2019, cumulative areas of 77,374 square metres, 2,978 square metres and 3,027 square metres of apartments, commercial space and undergoing car-parking space had been sold respectively, generating a total contract value of RMB1,927,083,000 (equivalent to approximately HK$2,185,893,000), RMB134,110,000 (equivalent to approximately HK$152,121,000) and RMB47,901,000 (equivalent to approximately HK$54,334,000) respectively. The majority of the project has been sold. During the year, a total amount of RMB1,190,000 (equivalent to approximately HK$1,350,000) was recognised as turnover.

The Second Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 26,318 square metres is planned to be developed into an integrated complex comprising apartments, commercial space and office building with a gross floor area of approximately 163,184 square metres, including 134,627 square metres of apartments, 7,042 square metres of commercial space and 21,515 square metres of office building. Construction of the project commenced in March 2015 and the pre-sale started in September 2016, with total saleable areas of 160,307 square metres, including 132,965 square metres of apartments, 6,745 square metres of commercial space and 20,597 square metres of office building. During the year under review, the total contracted areas of commercial space and office building of 808 square metres and 8,615 square metres were sold respectively, generating a total contract value of RMB35,617,000 (equivalent to approximately HK$40,400,000) and RMB164,044,000 (equivalent to approximately HK$186,075,000). As at 31 December 2019, cumulative areas of 132,890 square metres, 3,876 square metres and 18,187 square metres of apartments, commercial space and office building had been sold

Nanjing Zendai M Mansion

respectively, generating a total contract value of RMB4,209,906,000 (equivalent to approximately HK$4,775,302,000), RMB215,106,000 (equivalent to approximately HK$243,995,000) and RMB342,436,000 (equivalent to approximately HK$388,426,000) respectively. During the year, the delivered areas of apartments and commercial space were 123 square metres and 41 square metres respectively, with a total contract value of RMB3,276,000 (equivalent to approximately HK$3,716,000) and RMB2,861,000 (equivalent to approximately HK$3,245,000). During the year, a total amount of RMB54,146,000 (equivalent to approximately HK$61,418,000) was recognised as turnover.

The Third Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the east of Jiangbian Road and the north of Jianning Road, Gulou District, Nanjing, Jiangsu Province with a site area of approximately 15,566 square metres. The land with a gross floor area of approximately 126,995 square metres is planned to be developed into an integrated complex comprising office building, commercial space and apartments, including 77,390 square metres of office building, 6,419 square metres of commercial space and 43,186 square metres of apartments. Construction of the project commenced in June 2018 and the pre-sale started in October 2019. During the year under review, the total contracted area of apartment of 34,465 square metres was sold, generating a total contract value of RMB1,293,854,000 (equivalent to approximately HK$1,467,620,000). The project is expected to be delivered in early 2022.

Perspective of the Third Phase of "Riverside Thumb Plaza" in Nanjing

The Fourth Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 15,234 square metres is planned to be developed into office building and commercial space with a gross floor area of approximately 102,549 square metres, including 79,455 square metres of office building and 23,094 square metres of commercial space. Construction of the project commenced in January 2019 and the pre-sale is planned to start in the fourth quarter of 2020.

Other Cities

Qingdao Zendai Thumb Plaza

Qingdao Zendai Thumb Plaza is located in the central area of business district on Haier Road in Qingdao City, Shandong Province, the PRC. The project has a site area of approximately 38,092 square metres with a total gross floor area occupying approximately 213,059 square metres. It includes retail shops (68,129 square metres), a hotel (29,593 square metres), service apartments (70,066 square metres) and car-parking space (45,271 square metres).

As at 31 December 2019, a cumulative area of 63,203 square metres had been sold, generating a contract value of RMB926,948,000 (equivalent to approximately HK$1,051,438,000).

As at 31 December 2019, around 86% of the commercial space (with a leasable area of 46,127 square metres) was leased, with a rental income of RMB34,191,000 (equivalent to approximately HK$38,783,000) during the year.

Himalayas Qingdao Hotel, located in the Qingdao Zendai Thumb Plaza, is managed by the Group's own hotel management company under the Group's "Himalayas" brand. The average occupancy rate of the hotel during the year was 76%, with a total income of RMB50,402,000 (equivalent to approximately HK$57,171,000).

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza has a total site area of 281,912 square metres. Due to its prime location, the project has been included in the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a total gross floor area of approximately 279,076 square metres (including car-parking space and ancillary facilities of 77,143 square metres). Construction of the project is divided into three phases.

The first phase named Phase 1 of Old Town, with a commercial area of approximately 38,737 square metres, of which 97% has been leased as at 31 December 2019, with a rental income of RMB5,619,000 (equivalent to approximately HK$6,374,000) during the year.

The second phase is an ancillary residential project with commercial space with a total gross floor area of approximately 74,528 square metres, the majority of which have been sold. As at 31 December 2019, a total cumulative contracted area of 71,585 square metres (including 41,065 square metres of multi-storey apartments, 27,909 square metres of townhouses, 2,237 square metres of detached villas and 374 square metres of commercial space) was sold, generating a total contract value of RMB848,522,000 (equivalent to approximately HK$962,480,000). During the year under review, an area of 1,356 squares metres (including 485 square metres of multi-storey apartments and 871 square metres of detached villas) was delivered with a total contract value of RMB27,942,000 (equivalent to approximately HK$31,695,000). During the year, a total amount of RMB27,540,000 (equivalent to approximately HK$31,239,000) was recognised as turnover.

The third phase occupies a total area of approximately 147,688 square metres (with an underground area of 53,150 square metres), comprising Phase 2 of Old Town, with commercial area of 60,979 square metres (with an underground area of 21,000 square metres) and Old Town, New Port, with a commercial area of approximately 14,967 square metres and a residential area of approximately 71,742 square metres (with an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started pre-sale in September 2016, with a total saleable area of 41,000 square metres. An area of 257 square metres of residential properties and 2,968 square metres of commercial space were sold during the year under review, generating a total contract value of RMB7,250,000 (equivalent to approximately HK$8,224,000) and RMB52,160,000 (equivalent to approximately HK$59,165,000) respectively. As at 31 December 2019, a cumulative area of 33,563 square metres of residential properties and 6,695 square metres of commercial space were sold respectively, generating a total contract value of RMB573,807,000 (equivalent to approximately HK$650,870,000) and RMB101,316,000 (equivalent to approximately HK$114,923,000) respectively.

Yangzhou Commercial Project

The Group has an integrated project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. As at 31 December 2019, the remaining area of 15,974 square metres was used for rental purposes.

Project in Chengmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chengmai County, Hainan Province with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities.

Residential Projects in China

Shanghai

Zendai Xizhen Thumb Plaza

The Group owns a parcel of land with an area of approximately 140,099 square metres in the tourist district of Zhujiajiao Town, Qingpu District, Shanghai. It was developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end residential properties, retail shops, resort villas and a resort hotel in two phases, with a total gross floor area of approximately 169,004 square metres.

Phase I of the project has a gross floor area of approximately 98,479 square metres, which consists of residential properties (40,945 square metres) and commercial space (57,534 square metres). The Group intends to bring in tenants for the commercial areas, including large international cinemas, mid-range to high-end restaurants and supermarkets. As at 31 December 2019, the total cumulative residential and commercial areas of 23,084 square metres and 22,527 square metres had been sold respectively, generating a total contract value of RMB442,587,000 (equivalent to approximately HK$502,027,000) and RMB469,705,000 (equivalent to approximately HK$532,787,000) respectively. Residential properties with areas of 568 square metres and commercial space with areas of 1,105 square metres were delivered respectively during the year with a total contract value of RMB13,015,000 (equivalent to approximately HK$14,763,000) and RMB20,135,000 (equivalent to approximately HK$22,839,000). During the year, a total amount of RMB31,840,000 (equivalent to approximately HK$36,116,000) was recognised as turnover.

Construction of Phase II with a gross floor area of approximately 70,525 square metres commenced in the fourth quarter of 2013, with resort villas (occupying 46,155 square metres) and a resort hotel (occupying 24,370 square metres) to be erected respectively. The portion of the resort hotel had been sold and delivered in April 2018. Resort villas started pre-sale in November 2014 and was completed in April 2016. As at 31 December 2019, a cumulative area of resort villas of 34,829 square metres had been sold, generating a total contract value of RMB568,915,000 (equivalent to approximately HK$645,321,000).

Other Cities

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,389,021 square metres.

The first parcel of land is to be developed in two parts.

"Dong Zhou Mansion", the first part of the first parcel, is being developed in two phases with Phase I offering 52 detached villas which were all sold out. Phase II of the "Dong Zhou Mansion" is to be developed into 94 detached villas with a total gross floor area of approximately 82,202 square metres, the construction of which already commenced in February 2014. However, the construction of the project has been suspended due to changes in market conditions.

"Multiflora Garden", the second part of the first parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold out. As at 31 December 2019, an area of approximately 293 square metres remained undelivered. Phase III has a saleable area of approximately 91,817 square metres. As at 31 December 2019, a total cumulative area of 78,375 square metres had been sold, generating a total contract value of RMB464,499,000 (equivalent to approximately HK$526,882,000). During the year, an area of 3,245 square metres was delivered with a total contract value of RMB23,582,000 (equivalent to approximately HK$26,749,000). During the year, a total amount of RMB23,403,000 (equivalent to approximately HK$26,546,000) was recognised as turnover.

The second parcel of land is being developed into residential properties and ancillary commercial space in phases.

The Phase I, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres. As at 31 December 2019, a cumulative area of 51,268 square metres was sold, generating a total cumulative contract value of RMB230,446,000 (equivalent to approximately HK$261,395,000).

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being developed into small high-rise residential properties with ancillary commercial space in two phases with a saleable area of approximately 194,088 square metres. The first phase offers a saleable area of 81,394 square metres. As at 31 December 2019, a cumulative area of 79,780 square metres was sold, generating a total contract value of RMB359,490,000 (equivalent to approximately HK$407,770,000). During the year, an area of 765 square metres involving a contract value of RMB3,451,000 (equivalent to approximately HK$3,914,000) was delivered. During the year, a total amount of RMB3,370,000 (equivalent to approximately HK$3,823,000) was recognised as turnover.

The Phase III, named as Spanish Exotic Street, with a site area of 760 square metres, has been developed into a commercial plaza with a saleable area of 1,164 square metres.

The Phase IV, named as "Thumb Plaza" with a site area of 18,919 square metres, has been developed into a commercial plaza with a total gross floor area of 45,514 square metres.

A Parcel of Land in Yantai Development Zone

The Group and 煙台開發區宏遠物業有限公司 (Yantai Hong Yuan Property Company Limited*) entered into a cooperation agreement to develop "Yantai Thumb Project" located at E-9 District, Yantai Development Zone, Yantai, Shandong Province, pursuant to which Shanghai Zendai holds 70% equity interests in the "Yantai Thumb Project". The project occupies an area of 26,476 square metres and is still under planning stage.

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The regulatory principle of "keeping land price, housing price and expectations at a stable level" in 2019 began to take effects in the second half, with the market witnessing an overall stability. However, it is inevitable that cities will take on differentiated development, and there is a noticeable trend that property enterprises are withdrawing their businesses to the first and second tier cities.

At the beginning of 2020, affected by the new coronavirus epidemic, measures of controlling the population movements and postponing the time for work resumption have been taken up to fight the epidemic in China. At present, the epidemic has been basically controlled in China. It is expected that the epidemic may have a short-term impact on China's overall economy and real estate market. As the situation of epidemic prevention and control improves, China's economy will return to normal operation.

Looking forward, the Group will continue to adhere to the development strategy of "extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities", concentrate on studies on market trends and demands, and optimize and strategically deploy assets of the Group, in an effort to establish the image of a premium brand. The Group will actively capture market trends and further develop core strategic areas such as Nanjing and Shanghai to fully explore local market demands. Centering on Nanjing and Shanghai, the Group will steadily expand across the country and launch new development projects constantly. In addition, the Group will steadily improve the quality of property management services, replicate the Group's experience through an asset-light model, strive to seek opportunities for business strategic cooperation with third-party developers, and provide business management output services to expand its business.

The Group has always adhered to the differentiated brand strategy of "Architecture • Art • Life" while maintaining development. The Group not only provides cities with high quality living spaces, but also strives to build excellent products which can meet the spiritual, cultural and aesthetic requirements of consumers. We pursue humanist spirits, focus on social values and give all our property projects their respective individualized elements and cultural connotation. As for future commercial property trends, the Group will actively make use of existing technologies to meet the demands of consumers, make continuous and deep innovations and implement strategies such as attracting specific groups with themed projects to meet the demands of consumers at a higher spiritual level, thus rewarding its shareholders and the society.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

The Group continued to record loss for the year ended 31 December 2019 due primarily to the small amount of turnover and gross profit which were insufficient to cover the expenses and costs.

As the key projects of the Group, being the third phase of the "Nanjing Himalayas Center" project and the second phase project Riverside Mansion (濱江閱公館) of "Riverside Thumb Plaza" in Nanjing are expected to be delivered to buyers and the turnover be recognised in 2020, the operating performance of the Group will be improved when the delivery of such projects are recognised.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2019, the Group had a healthy financial position with net assets value of approximately HK$1,671 million (31 December 2018: approximately HK$2,788 million). Net current assets amounted to approximately HK$376 million (31 December 2018: approximately HK$2,576 million) with current ratio decreasing from 1.23 times at 31 December 2018 to approximately 1.03 times at 31 December 2019. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), net of cash and cash equivalents, and equity attributable to owners of the Company. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2019, the Group had consolidated borrowings and loans of approximately HK$7,914 million, of which HK$4,909 million was repayable within one year and HK$3,005 million was repayable more than one year. As at 31 December 2019, borrowings of the amount of HK$6,391 million (31 December 2018: HK$5,904 million) bear interest at fixed interest rates ranging from 4.77% to 18.15% per annum (31 December 2018: ranging from 5.0% to 18.15% per annum). As at 31 December 2019, the Group's bank balances and cash including pledged bank deposits were approximately HK$1,955 million (31 December 2018: HK$1,978 million). The gearing ratio of the Group increased from 2.05 times at 31 December 2018 to 3.84 times at 31 December 2019 (basis: net debts, which is defined as total amounts of borrowings and loans, amounts due to minority owners of subsidiaries and lease liabilities less cash and cash equivalents and pledged bank deposits, divided by equity attributable to owners of the Company).

SEGMENT INFORMATION

Sales of properties

The turnover of this segment for the year was approximately HK$846,060,000 (2018: HK$6,684,554,000). The decrease was primarily due to the substantial decrease in the areas of the property delivered to purchasers.

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$368,550,000 (2018: HK$327,637,000). The increase was due to the increase in the areas of chargeable properties as a result of commencement of management of "Nanjing Himalayas Center" and the first and second phases of "Riverside Thumb Plaza" by the Group since the end of last year.

Hotel Operations

The turnover of this segment for the year was HK$133,982,000 (2018: HK$159,846,000). The decrease was due to the decrease in the total number of operable hotel rooms as a result of renovation of certain hotel rooms.

FOREIGN CURRENCY AND INTEREST RATES EXPOSURES AND HEDGING

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 31 December 2019 were mainly denominated in RMB and HK$. Bank borrowings of the Group as at 31 December 2019 were mainly denominated in RMB. The Group currently does not use any financial instruments to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Group' s fair value interest rate risk relates primarily to its fixed rate borrowings and payables and restricted bank deposits. The Group currently does not utilize any financial instruments to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

EMPLOYEES

As at 31 December 2019, the Group employed approximately 955 employees (2018: 1,202 employees) in Hong Kong and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below and elsewhere in this report, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the year under review:

MANAGEMENT DISCUSSION AND ANALYSIS

On 12 August and 24 August 2015, the Group entered into an equity transfer agreement and a supplementary agreement respectively (collectively, the "**Agreements**") to acquire the equity interest of 6 companies which hold land parcels (the "**Land Parcels**") in Gulou District, Nanjing (the "**Acquisitions**"). The aggregate site area of the Land Parcels was approximately 110,489 square metres and the total consideration for the Acquisitions was RMB4,513,609,000 (equivalent to approximately HK$5,389,384,000). Details of the Acquisitions were disclosed in the Company's announcement dated 25 August 2015.

As a result of the regulatory land plan adjustment to the district where the Land Parcels are located since late 2015, the Land Parcels are also subject to land plan adjustment. As at the date of this report, 4 out of 13 land title certificates of the Land Parcels have been obtained and delivered to the Group and the parties to the Agreements have been making efforts to proceed the completion of the Acquisitions as soon as possible.

EVENT SINCE THE END OF THE FINANCIAL YEAR

The important event for the Group since 31 December 2019 is:

(a) The Group will dispose the entire equity interest in Haimen Zendai Binjiang Real Estate Co., Ltd.*（海門証大濱江置業有限公司）and the outstanding shareholder loans owed to the subsidiaries of the Company ("**Proposed Disposal**") by public tender through Shanghai United Asset and Equity Exchange. The minimum bidding price for the Proposed Disposal is RMB1,582,900,000 (equivalent to approximately HK$1,770,600,000). The Consideration, i.e. the final consideration for the Proposed Disposal, will depend on the final bid price offered by the successful bidder, but in any event will be no less than the minimum bidding price. Further details of the transaction are set out in the announcements and circular of the Company dated 3 February 2020, 13 February 2020 and 14 April 2020.

(b) Since early 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

    The directors of the Company have assessed that the COVID-19 outbreak may have the following potential impact to the Group:

    - The development of the COVID-19 outbreak and the gradual recovery of the macroeconomic environment may have impact on the timing of the full resumption of Group's property construction works or the launch of Group's pre-sale of properties. All of these possible uncertainties may affect the Group's revenue or cash flows from property sales;

    - The Group's rental and management fee income in 2020 could possibly be affected by the temporary waivers of rentals and property management fees offered to tenants, tenant's requests in adjustments of existing lease contract terms if any;

- The Group's revenue from hotel operations may also be affected due to the recent drop in international travelers and inter-cities travelers in China;

- The Group applies the fair value model to measure its investment properties and the carrying amounts of the investment properties are determined based on the condition as of 31 December 2019. In 2020, the fair value of the Group's investment properties may be subject to fluctuation due to the COVID-19 outbreak.

The overall financial effect of the above cannot be reliably estimated as of the date of the annual report.

The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

PLEDGE OF ASSETS

As at the end of reporting period, the carrying amounts of following assets of the Group were pledged to secure certain borrowings and loans:

	2019 HK$'000	2018 HK$'000
Property, plant and equipment	**951,732**	541,688
Land use rights	**–**	454,452
Investment properties	**2,178,353**	2,680,346
Properties under development and completed properties held-for-sale	**2,476,444**	4,483,740
Pledged bank deposits	**1,444,812**	568,335
	7,051,341	8,728,561

As at 31 December 2019, certain equity shares of the subsidiaries of the Group were pledged to secure certain borrowings granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group provided guarantees to the extent of approximately HK$596,772,000 (2018: HK$988,658,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group, net of mortgages received and included in receipts in advance from customers. These guarantees provided by the Group to the banks would be released upon receiving the property title certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the Directors, the fair value of guarantee contracts is insignificant at initial recognition.

A. EXECUTIVE DIRECTORS

Mr. Wang Letian ("Mr. Wang"), aged 47, has been an executive Director of the Company, the chairman of the Board, a member and the chairman of the nomination committee of the Board, a member of remuneration committee of the Board and an authorised representative of the Company for the purposes of the Listing Rules since 9 November 2019. Mr. Wang obtained a master's degree in business administration from University of Science and Technology Beijing and graduated from China Institute of Finance and Banking (the predecessor of the School of Banking & Finance of University of International Business and Economics) in 1994 with a bachelor's degree in economics.

Mr. Wang joined China Orient Asset Management (International) Holding Limited in June 2018, and currently serves as a co-president, a member of the operating management committee and a member of the investment committee. From November 2016 to June 2018, he served as a member of the Party committee, the secretary of committee for discipline inspection, and the deputy general manager of the Chongqing Branch of China Orient Asset Management Co., Ltd. From September 2016 to November 2016, he served as the deputy general manager of the First Business Management Department of China Orient Asset Management Co., Ltd. From September 2004 to September 2016, he served as the senior director, deputy manager, manager, senior manager, and senior economist of the Asset Operation Department of China Orient Asset Management Co., Ltd. From October 2003 to September 2004, he served as the senior director of the System Management Section of the Debt and Market Development Department of China Orient Asset Management Co., Ltd. From May 2000 to October 2003, he served as the director and senior director of the Asset Operation Department of the Taiyuan Office of China Orient Asset Management Co., Ltd. From July 1994 to May 2000, he worked at the Shanxi Province Branch of Bank of China.

Mr. Qin Renzhong ("Mr. Qin"), aged 49, has been an executive Director of the Company since 29 June 2018. Mr. Qin graduated from Nankai University in 1995 and 1992 with a master's degree in political economics and a bachelor's degree in mathematical statistics, respectively.

Mr. Qin joined COAMI in April 2018, and currently serves as the chief risk officer of the company. Mr. Qin has been a director, deputy general manager and member of the investment committee of Dongfu (Tianjin) Equity Investment Fund Management Co., Ltd.（東富（天津）股權投資基金管理有限公司）from July 2016 to April 2018; senior economist, assistant general manager and deputy general manager of the investment (investment banking) department of China Orient Asset Management Co., Ltd. from January 2012 to July 2016; deputy manager, manager, senior manager and senior economist of the market development department of China Orient Asset Management Co., Ltd. from July 2006 to December 2011; and senior director, assistant manager and deputy manager of the Taiyuan Office of China Orient Asset Management Co., Ltd. from October 2000 to July 2006. From June 1995 to October 2000, he worked at Shanxi Branch of Bank of China.

Mr. He Haiyang ("Mr He"), aged 48, has been an executive Director and chief executive officer of the Company since 8 April 2020. Mr. He graduated from Tongji University in Shanghai with a bachelor's degree of engineering in 1996.

Mr. He joined China Orient Summit Capital Co., Ltd. (40% of which is directly held by China Orient Asset Management (International) Holding Limited) in March 2014, and currently serves as the director. From July 2013 to February 2014, Mr. He served as the vice president of Faith Capital Management Co., Ltd., he was responsible for domestic investment business in China. From July 2010 to June 2013, Mr. He served as the deputy general manager of Wins (Tianjin) Investment Management Co., Ltd., he was responsible for investment business in Shanghai. From November 2007 to June 2010, Mr. He served as the marketing director of Gemdale Group for North China region, he was responsible for marketing business in North China region. From April 2003 to October 2007, he served as the executive deputy general manager of Gemdale Group Tianjin Branch, and he was responsible for marketing and land development of Gemdale Group Tianjin Branch. From July 1996 to March 2003, he also served as the director of information center of Gemdale Group, he was responsible for information construction.

Mr. Tang Jian ("Mr. Tang"), aged 43, has been an executive Director of the Company since 13 October 2017 and the senior vice president of the Company since 30 September 2017. Mr. Tang obtained a bachelor's degree from the Shanghai University of Finance and Economics specializing in finance in 1999.

Mr. Tang has been working with the Company since 2003. Mr. Tang was an executive Director of the Company from May 2003 to May 2015, the authorised representative of the Company from June 2003 to May 2015 and the chief executive officer of the Company from June 2015 to September 2017. Mr. Tang was the general manager of the Hong Kong region of the Group during the period from May 2003 to March 2011 and his principal duties were corporate governance, financing arrangement and public relations management. From April 2011 to March 2013 and from April 2013 to June 2015, he was the general manager of investment and development department and real property financing department of the Group and his primarily duties were strategic investment decisions and property development financing arrangement. Mr. Tang also serves as director of various subsidiaries of the Company, including Long Profit Group Limited, Richtex Holdings Limited, Ample Century Limited, Best East Developments Limited, Myway Developments Limited, Auto Win Investments Limited, Shanghai Zendai Real Estate Co., Ltd.（上海証大置業有限公司）and Shanghai Zendai Delta Land Company Limited（上海証大三角洲置業有限公司）. Prior to joining the Company, Mr. Tang worked for Bank of Shanghai and companies which were engaged in securities investment business.

B. NON-EXECUTIVE DIRECTORS

Ms. Wang Zheng ("Ms. Wang"), aged 48, has been a non-executive Director of the Company since 13 October 2017. Ms. Wang graduated from Beijing Institute of Fashion Technology in 1993 with a bachelor's degree in engineering.

Ms. Wang joined 冉盛置業發展有限公司 in June 2015, and currently serves as an executive director. Ms. Wang has 21 years of experience in real estate industry. Prior to this, Ms. Wang served as the vice general manager and the general manager of the Real Estate Business Department of China Energy and Fuel Company Limited（中能源電力燃料有限公司）, and the vice general manager and the investment director of Sanjiu Pan-China Construction & Development Co., Ltd.（三九泛華建設開發有限公司）.

Gong Ping ("Mr. Gong"), aged 44, has been a non-executive director since 11 January 2013. Mr. Gong graduated from Fudan University in 1998 with a bachelor's degree in international finance, and then obtained his master's degree in finance from Fudan University in 2005. Mr. Gong also received his master's degree in business administration from International Institute for Management Development (IMD) in Lausanne, Switzerland in 2008.

Mr. Gong joined Fosun in 2011. As at the end of the reporting period, he served as an executive director, senior vice president of Fosun International Limited and was appointed as the CFO of Fosun International Limited in February 2020. As at the end of the reporting period, he has also been the chairman of Paris Realty Fund SA (listed on the Euronext Paris with stock code PAR), the vice chairman of Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (listed on the Shanghai Stock Exchange with stock code 600655), a director of Shanghai Resource Property Consulting Co., Ltd. (listed on the NEEQ with stock code 833517) and the CEO of Fosun Hive, a role he resigned in February 2020. As at the end of the reporting period, Mr. Gong has been a council member of Shanghai Association for Youth Entrepreneurship and Employment and vice chairman of Shanghai Youth Entrepreneurs Association. He used to serve as a senior assistant to president of Fosun, and the general manager of corporate development department. Prior to joining Fosun, Mr. Gong worked at Pudong branch and the headquarters of Bank of Shanghai as well as the PRC headquarters of Standard Chartered Bank. Mr. Gong also served as a global strategist at the headquarters of Samsung Group in Korea, carrying out special assignments across various sectors including financial services, technology and real estate worldwide.

Ms. Jiang Zhengyan ("Ms. Jiang"), aged 37, has been a non-executive Director of the Company since 13 April 2017. Ms. Jiang graduated from Shanghai University of Finance and Economics with a bachelor's degree in management science in 2005 and obtained a master's degree in economics from Shanghai University of Finance and Economics in 2007.

Ms. Jiang joined the Fosun Group in October 2012 and currently act as managing director in the securities investment department of Fosun Property of Fosun Group. Before that, Ms. Jiang acted as a senior analyst in Shenyin Wanguo Securities Research Institute from July 2007 to February 2011 and acted as a senior analyst in Shanghai Metal Investment Co., Ltd. from March 2011 to October 2011.

C. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow, Alexander Yue Nong ("Mr. Chow"), aged 69, has been an independent non-executive director since 30 June 2015. Mr. Chow is also a member of the nomination committee and audit committee and the chairman of the remuneration committee of the Board. Mr. Chow received a bachelor of arts degree in Computer Science and an M.B.A. degree from the University of California, Berkeley in 1973 and 1975 respectively.

Mr. Chow is the Managing Director of IST Services Limited. He has also been a committee member of the Chinese General Chamber of Commerce since 1980. Mr. Chow was the President of ACB International Inc. (a joint venture of China National Export Bases Development Corporation, Bank of China, A Robert Abboud & Company of United States and Hong Kong United General Company Limited), Assistant Vice President and Head of China Group of The First National Bank of Chicago, advisor to Bank of Tokyo Ltd., and consultant to Overseas Chinese Investment Company of the Zhejiang Province（浙江省華僑投資公司）. Mr. Chow also lead the establishment of CCIC Finance Limited, a joint venture of Bank of China, The First National Bank of Chicago, The Industrial Bank of Japan and China Resources Company（華潤公司）. Mr. Chow has business relationship with various multinationals for many years. Mr. Chow has been appointed as an independent non-executive director of Tsit Wing International Holdings Limited (stock code: 2119) on 15 December 2017.

Dr. Xu Changsheng ("Dr. Xu"), aged 56, has been an independent non-executive director since 30 June 2015. Dr. Xu graduated from the Economics Department of Nanjing University in 1984 with a Bachelor degree in Economics. He graduated from the Economics School of Wuhan University with a master's degree and a PhD degree in economics in 1987 and 1992 respectively. Dr. Xu has been working at the School of Economics of Huazhong University of Science and Technology since 1987, serving as a professor since 1997, a PhD supervisor since 1999, the Deputy Dean from 1994 to 1999 and the Dean from 2000 to 2014.

Mr. Ng Man Kung ("Mr. Ng"), aged 68, has been an independent non-executive Director of the Company, a member of the nomination committee, a member of the remuneration committee and a member of the audit committee of the Board since 25 May 2017. Mr. Ng graduated from Hong Kong Polytechnic University with an attendance certificate in banking.

Mr. Ng has been senior management in banking industry of Hong Kong for 28 years. He was appointed as the managing director and general manager of Chiyu Banking Corporation Limited in 1992 and the vice-chairman and chief executive of Chiyu Banking Corporation Limited in 2001. He retired from Chiyu Banking Corporation Limited in 2012. Mr. Ng was a member of the council of the Hong Kong Polytechnic University from 1999 to 2003 and was a member of Fujian Provincial Committee of the Chinese People's Political Consultative Conference from 1993 to 2013. Mr. Ng served as a business consultant of COAMI from January 2014 to April 2015, and a non-executive director of Roma Group Limited (stock code: 8072 – GEM) from 24 August 2017 to 18 December 2017. Since 31 March 2018, Mr. Ng served as the Chairman of the Supervisory Board of Well Link Bank in Macau.

Currently, Mr. Ng serves as an independent non-executive director of the following companies: Fujian Holdings Limited (stock code: 181) since 30 June 2014; ELL Environmental Holdings Limited (stock code: 1395) since 5 September 2014; Guoan International Limited (Stock Code: 143) since 11 March 2016, HKBridge Financial Holdings Limited (stock code: 2323) since 23 March 2016 and Green Future Food Hydrocolloid Marine Science Company Limited (stock code: 1084) since 25 September 2019.

Mr. How Sze Ming ("Mr. How"), aged 43, has been an independent non-executive Director of the Company, a member of the remuneration committee and a member and the chairman of the audit committee of the Board since 25 May 2017. Mr. How graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree (first class honour, majoring in professional accountancy) in December 1999. By profession, he is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

Mr. How has over 20 years of experience in investment banking and business assurance industries. Mr. How joined Southwest Securities (HK) Capital Limited ("Southwest Securities"), a company principally engaged in investment banking and advisory services, in February 2016 and is currently a managing director and head of corporate finance where he is responsible for corporate finance advisory work. Southwest Securities is an indirect wholly-owned subsidiary of Southwest Securities International Securities Limited, a company whose shares are listed on the main board of the Stock Exchange (Stock Code: 00812). Prior to joining Southwest Securities, Mr. How had worked for several renowned investment banks with PRC and Hong Kong background, including CMB International Capital Corporation Limited, ICBC International Holdings Limited and CCB International Capital Limited.

Mr. How was an independent non-executive director of (i) QPL International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 00243) from September 2013 to September 2016 and (ii) Odella Leather Holdings Limited, a company whose shares are listed on the GEM of the Stock Exchange (Stock Code: 08093) from January 2015 to March 2017. Mr. How has been an independent non-executive director of (a) World-Link Logistics (Asia) Holding Limited, a company whose shares are listed on Main Board of the Stock Exchange (Stock Code: 06083), since December 2015, (b) Forgame Holdings Limited, a company whose shares are listed on the Main Moard of the Stock Exchange (Stock Code: 484), since January 2016, (c) 1957 & Co. (Hospitality) Limited, a company whose shares are listed on GEM of the Stock Exchange (Stock Code: 8495) since December 2017, (d) Watts International Maritime Engineering Ltd., a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2258), since October 2018 and (e) Ruicheng (China) Media Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1640), since October 2019.

Dr. Di Ruipeng ("Dr. Di"), aged 55, has been an independent non-executive Director, a member of the nomination committee, a member of the remuneration committee and a member of the audit committee of the Board of the Company since 25 May 2017. Dr. Di graduated from the University of New Orleans in 1997 with a Doctoral of Financial Economics Degree, the Peking University in 1989 with his Master Degree in International Economics and the Peking University in 1986 with a Bachelor of International Economics Degree.

Dr. Di currently serves as independent director of Qinghai Huading Industrial Co., Ltd. (stock code: 600243) which is listed on the main board of Shanghai Stock Exchange, Jiangnan Mould & Plastic Technology Co., Ltd (stock code: 00700) which is listed on the main board of Shenzhen Stock Exchange, Shenzhen Invengo Information Technology Co., Ltd. (stock code: 002161) and Rendong Holdings Co., Ltd (stock code 002647) which are listed on the main board of Shenzhen Stock Exchange. Since 2015, Dr. Di has served as the director of the global executive courses program operated by Tsinghua University School of Economics and Management ("**Tsinghua SEM**"). From 2010 to 2014, he acted as the assistant dean of Tsinghua SEM, deputy director of the EMBA program of Tsinghua University and financial assistant professor of Tsinghua SEM from 2001 to 2010. Particularly in the period from 2006 to 2010, he served as the founder of the international EMBA program of Tsinghua SEM, and the founder of the Chinese EMBA program of the same school from 2001 to 2006.

D. COMPANY SECRETARY

Mr. Wong Ngan Hung ("Mr. Wong"), aged 59, is a member of the Hong Kong Institute of Certified Public Accountants since 1986. He also obtained a master's degree in business administration from University of San Francisco in the United States of America. Mr. Wong has been working with the Company since 2006 and was appointed as the Company Secretary in January 2012 and he was appointed as the authorised representative of the Company for the purposes of the Listing Rules on 13 April 2017.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business, property investments, management and agency services and hotel operations.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2019, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development, a description of the principal risks and uncertainties that the Group may be facing and the particulars of important events affecting the Group that have occurred since the end of the financial year are contained in the sections (which form part of this report) headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report.

The Company's environmental policies and performances, a discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Group and the Company's relationship with its employees, customers and suppliers are contained in the section (which form part of this report) headed "Environmental, Social and Governance Report" in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 102 to 215. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2019.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 216.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year 2019 are set out in note 31(a) to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year 2019 are set out in the consolidated statement of changes in equity and note 37(a) to the financial statements respectively.

REPORT OF THE DIRECTORS

CHARITABLE DONATION

Total donations contributed by the Group for charitable and other purposes in year under review amounted to approximately HK$1,200,000.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company does not have reserves available for distribution to shareholders as at 31 December 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year 2019 are set out in note 16 to the financial statements.

PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

Details of properties under development and for sales of the Group for the year 2019 are set out on pages 6 to 14 of the annual report.

DIRECTORS

The Directors during the year 2019 and up to the date of this report (and taking into account the changes of Directors effected on 8 April 2020) were as follows:

Executive Directors

Mr. Wang Letian *(Chairman)* (appointed on 9 November 2019)
Mr. Qin Renzhong
Mr. He Haiyang (appointed on 8 April 2020)
Mr. Tang Jian
Mr. Qiu Haibin *(Chairman)* (resigned on 9 November 2019)
Mr. Zhang Huagang (resigned on 8 April 2020)

Non-executive Directors

Ms. Wang Zheng
Mr. Gong Ping
Ms. Jiang Zhengyan

Independent non-executive Directors

Mr. Chow Alexander Yue Nong
Dr. Xu Changsheng
Mr. Ng Man Kung
Mr. How Sze Ming
Dr. Di Ruipeng

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2019, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

Name of Director	Number of Shares/ Underlying Shares	Capacity and nature of interests	Approximate percentage of issued share capital as at 31 December 2019
Mr. Tang Jian	10,000,000(L)	Beneficial owner	0.07%

Save as disclosed above, none of the Directors had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2019.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

There was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules since the date of the 2019 interim report of the Company.

DIRECTORS'SERVICE CONTRACTS AND EMOLUMENTS

No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' emoluments are determined by mutual agreement and prevailing market practice as well as his contribution to the Group.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of the Directors' and senior management's emoluments are set out in note 38 and 11 to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group's results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

PERMITTED INDEMNITY AND DIRECTORS' LIABILITY INSURANCE

Pursuant to the bye-laws of the Company and subject to the provisions of the Companies Act 1981 of Bermuda, the Directors, company secretary and other officers and every auditor of the Company shall, among other things, be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they 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 respectively offices or trusts, provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud, or dishonesty which may attach to any of said persons.

The Company has arranged for appropriate insurance cover in respect of possible legal actions against its Directors and officers. The scope of coverage of the insurance is subject to review annually.

MANAGEMENT CONTRACT

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year 2019.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year 2019 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the related party transactions set out in note 33 to the financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director or an entity connected with a director had a material interest or to which a controlling shareholder of the Company or any of its subsidiaries is a party, whether directly or indirectly, subsisted at the end of the year 2019 or any time during the year 2019.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year 2019, the Group entered into certain related party transactions which may also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of these transactions are set out below and in note 33 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2019, none of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company and/or its subsidiaries and which is required to be disclosed pursuant to the Listing Rules.

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2019, the interests or short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of interests	Number of shares interested as at 31 December 2019	Approximate percentage of the issued share capital as at 31 December 2019
Nantong Sanjian Holding (HK) Co., Limited *(Note 1)*	Beneficial owner	4,462,317,519 (L)	29.99%
Nantong Sanjian Holdings Co., Ltd.*（南通三建控股有限公司）*(Note 1)*	Interest in controlled corporation	4,462,317,519 (L)	29.99%
Smart Success Capital Ltd. *(Note 2)*	Beneficial owner	2,703,248,481 (L)	18.17%
Cheer Link Global Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
COS Greater China Special Situations Fund, L.P. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital SSF GP Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital International Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management (International) Holding Limited ("COAMI") *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
Wise Leader Assets Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%

Name	Nature of interests	Number of shares interested as at 31 December 2019	Approximate percentage of the issued share capital as at 31 December 2019
Dong Yin Development (Holdings) Limited *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management Co., Ltd. ("COAMC") *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Alliance Properties Limited *(Note 3)*	Beneficial owner	2,255,335,000 (L)	15.16%
Shanghai Forte Land Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun Industrial Investment Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun High Technology (Group) Company Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun Holdings Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Holdings Ltd. *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Guo Guangchang *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%

(L) *denotes long position*

REPORT OF THE DIRECTORS

Notes:

1. Nantong Sanjian Holding (HK) Co., Limited was 100% controlled by Nantong Sanjian Holdings Co., Ltd.*（南通三建控股有限公司）.

2. COAMC had 100% control of Dong Yin Development (Holdings) Limited, which in turn had 100% control of Wise Leader Assets Ltd.; Wise Leader Assets Ltd. and Dong Yin Development (Holdings) Limited each had 50% control of COAMI; COAMI had 40% control of China Orient Summit Capital International Co. Ltd., which in turn had 100% control of China Orient Summit Capital SSF GP Co. Ltd. China Orient Summit Capital SSF GP Co. Ltd. was the only general partner of COS Greater China Special Situations Fund, L.P.. COS Greater China Special Situations Fund L.P. had 100% control of Cheer Link Global Ltd., which in turn had 100% control of the Smart Success Capital Ltd.

3. Mr. Guo Guangchang had 85.29% control of Fosun International Holdings Ltd., which had 100% control of Fosun Holdings Limited, which had 70.80% control of Fosun International Limited, which had 100% control of Shanghai Fosun High Technology (Group) Co., Ltd., which had 100% control of Shanghai Fosun Industrial Investment Co., Ltd, which had approximately 99.71% control of Shanghai Forte Land Co., Ltd., which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 31 December 2019, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Bermuda.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year 2019, the Group's sales to the five largest customers accounted for 35% of the Group's turnover for the year, of which the largest customer accounted for 30% of the Group's turnover for the year. During the year 2019, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 15% and 36% respectively, of the Group's total purchases for the year. None of the Directors, their associates or any shareholders of the Company which to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive Directors to be independent.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Our Audit Committee is delegated by the Board to review of the effectiveness of the system of internal control in respect of, among other things, compliance controls function of the Group. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint PricewaterhouseCoopers as auditor of the Company.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on information that in publicly available to the Company and within the knowledge of the Directors as at 26 March 2020, being the latest practicable date prior to the issue of this report, there was sufficient public float for the Shares.

On behalf of the Board
Mr. Wang Letian
Chairman of the Board of Directors
26 March 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The board of Directors (the"Board") will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective Board to optimise return for shareholders.

The Company has applied the corporate governance code as set out in Appendix 14 to the Listing Rules as amended and revised from time to time (the"CG Code"). For the year under review, the Company has complied with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors had complied with the required standard set out in the Model Code during the year ended 31 December 2019.

The composition of the Board for the year ended 31 December 2019 and up to the latest practicable date for the purposes of the information in this annual report (i.e. 15 April 2020) was as follows:

Executive Directors

Mr. Wang Letian *(Chairman)* (appointed on 9 November 2019)
Mr. Qin Renzhong
Mr. He Haiyang (appointed on 8 April 2020)
Mr. Tang Jian
Mr. Qiu Haibin *(Chairman)* (resigned on 9 November 2019)
Mr. Zhang Huagang (resigned on 8 April 2020)

Non-executive Directors

Ms. Wang Zheng
Mr. Gong Ping
Ms. Jiang Zhengyan

Independent non-executive Directors

Mr. Chow Alexander Yue Nong
Dr. Xu Changsheng
Mr. Ng Man Kung
Mr. How Sze Ming
Dr. Di Ruipeng

The term of appointment of non-executive Directors is 2 years.

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

	Number of meetings attended/ total number of meetings				
Name of directors	Board Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Annual General Meeting
Mr. Wamg Letian *(Chairman) (Note 1)*	1/1	0/1	–	–	–
Mr. Qiu Haibin *(Chairman) (Note 2)*	8/8	–	1/1	–	1/1
Mr. Qin Renzhong	4/9	–	–	–	0/1
Mr. Zhang Huagang *(Chief Executive Officer) (Note 3)*	9/9	–	–	–	1/1
Mr. Tang Jian *(Senior Vice President)*	9/9	–	–	–	1/1
Ms. Wang Zheng	6/9	–	–	–	0/1

Name of directors	Number of meetings attended/ total number of meetings Board Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Annual General Meeting
Mr. Gong Ping	2/9	–	–	–	0/1
Ms. Jiang Zhengyan	8/9	–	–	–	0/1
Mr. Chow Alexander Yue Nong	9/9	1/1	1/1	3/3	1/1
Dr. Xu Changsheng	8/9	–	–	–	0/1
Mr. Ng Man Kung	9/9	1/1	1/1	1/3	1/1
Mr. How Sze Ming	7/9	1/1	–	3/3	1/1
Dr. Di Ruipeng	6/9	1/1	1/1	2/3	0/1

Note 1: appointed on 9 November 2019
Note 2: resigned on 9 November 2019
Note 3: resigned on 8 April 2020

The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of the chief executive officer of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Wang Letian from 9 November 2019 (was Mr. Qin Haibin during the year under review up to 9 November 2019) and the chief executive officer of the Company is Mr. He Haiyang from 8 April 2020 (was Mr. Zhang Huagang during the year under review and up to 8 April 2020). The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. The chairman was responsible for overseeing the management of the Board whereas the chief executive officer was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

DIRECTORS' TRAINING

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Directors and senior management staff attended various training in the form of seminar and reading materials. According to the records provided by the Directors, they received relevant training in 2019.

REMUNERATION COMMITTEE

Members of the Remuneration Committee are as follows:

Independent non-executive Directors:	Mr. Chow Alexander Yue Nong *(Chairman)* Mr. Ng Man Kung Mr. How Sze Ming Dr. Di Ruipeng
Executive Directors:	Mr. Wang Leitan (appointed on 9 November 2019) Mr. Qiu Haibin (resigned on 9 November 2019)

The Remuneration Committee is responsible for making recommendations on the Company's policy and structure on the remuneration of all Directors and senior management of the Company for approval by the Board, assessing performance of executive Directors and approving the terms of executive Directors' service contracts. During the year, the Remuneration Committee met for one time to discuss and review, inter alia, the remuneration policy for Directors and senior management of the Company, to make the recommendations for the directors and senior management's remuneration. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

NOMINATION COMMITTEE

Members of the Nomination Committee are as follows:

Independent non-executive Directors:	Mr. Chow Alexander Yue Nong Mr. Ng Man Kung Dr. Di Ruipeng
Executive Directors:	Mr. Wang Leitan *(Chairman)* (appointed on 9 November 2019) Mr. Qiu Haibin *(Chairman)* (resigned on 9 November 2019)

The Nomination Committee was established in March 2012 with specific terms of reference in accordance with the CG Code. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. The Nomination Committee is also responsible for reviewing the board diversity policy (the "Board Diversity Policy") of the Company regularly (including any measurable objectives that the Board has set for implementing the Board Diversity Policy and the progress on achieving those objectives). The Board Diversity Policy sets out a clear objective and provides that the Company should endeavour to ensure that its Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. During the year under review, one meeting was held to make recommendation to the board of directors of the Company. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

In order to achieve the purpose of the diversity of the Board, the Nomination Committee has following selection criteria for Directors:

– to select candidates with objective criteria, taking into account comprehensive factors like the gender, age, culture, educational background as well as professional experience of the Board members;

– to select candidates for Directors according to the business characteristics and future development needs of the Company.

During the reporting period, members of the Nomination Committee had studied the nomination standards and procedures for the Directors and senior management of the Company.

AUDIT COMMITTEE

Members of the Audit Committee are as follows:

Independent non-executive Directors:	Mr. How Sze Ming *(Chairman)* Mr. Chow Alexander Yue Nong Mr. Ng Man Kung Dr. Di Ruipeng

The Audit Committee's duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls and risk management systems, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2019, the Audit Committee held three meetings. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS". During the aforesaid meetings, members of the Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2018 and for the six months ended 30 June 2019 and the accounting principles and practices adopted by the Group. The Audit Committee has reviewed the auditor's independence and objectivity and the effectiveness of the auditor's audit process. The Audit Committee also conducted its annual review of the adequacy and effectiveness of the Company's risk management and internal control systems and external audit and internal audit function. The Company's annual results for the year ended 31 December 2019 has been reviewed by the audit committee of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is their responsibilities to ensure that the Group has established and maintained adequate and effective risk management and internal control systems. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for evaluating and determining the nature and extent of risks it is willing to take in achieving the strategic objectives; ensuring establishment and maintenance of effective risk management and internal control systems; and overseeing management in the design, implementation and monitoring of the risk management and internal control systems.

The Board delegates its responsibilities to the Audit Committee to review the practices of management with respect to risk management and internal control, including the design, implementation and supervision of the risk management and internal control systems, on a annually basis. The Audit Committee also reviews the effectiveness of the risk management and internal control systems on an annual basis.

Risk Management

Main Features of the Risk Management System

The risk management system of the Group consists of the following elements: strategy, risk governance structure, roles and responsibilities of each level of management, policies and procedures and risk management process.

The roles and responsibilities of all level of management in the risk governance structure

The Board:

- Ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems, and review their effectiveness at least once a year; Oversee management in the design, implementation and monitoring of the risk management and internal control systems.

Risk management Team:

- The Risk Management Team facilitates and supports business units in carrying out risk management procedures;
- Periodically reports the risk assessment results to the Board;
- Provide recommendations to enhance the control measure to mitigate the key risks;
- Promote the risk management culture.

Business Unit/functional management:

- Identify, evaluate and manage the risks that may potentially impact the major processes of the operations;
- Monitor risks and take measures to mitigate risks.

Process Used to Identify, Evaluate and Manage Significant Risks

A robust risk management process is developed to identify, evaluate and manage significant risks. The risk management procedures include the following 3 steps:

Step 1: Risk identification – Identify the risks at the Company level and its subsidiary level.

Step 2: Risk analysis – Analyze the identified risks from two dimensions: potential impact and likelihood of occurrence; prioritize key risks and confirm top risks. Select an appropriate risk strategies for the identified risks and develop the relevant risk response and control measures to mitigate the key risks.

Step 3: Risk reporting – Consolidate the risk assessment results and report the results to the Audit Committee and the Board.

Internal Control

Main Features of the Internal Control System

The Group has established internal control system by referencing to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework. This internal control system consists of 17 principles and 5 key elements, e.g. control environment, risk assessment, control activities, information and communication, and monitoring.

Internal Audit Department

The Group has established internal audit department. The internal audit department conducts internal audits in accordance with a risk-based annual audit plan. The internal audit reports, along with the key audit findings prepared by the internal audit department, were reported to the Audit Committee and the Board on a regular basis. Management are obligated to address internal control deficiencies and the relevant recommendations proposed by the internal audit department in a timely manner to enhance the Group's internal control system stay effective.

Price Sensitive Information ("PSI") and Inside Information

The Group has put in place internal procedures for the handling of PSI and inside information in accordance with the Listing Rules as follows:

(1) Designated officers and employees of the Group are responsible for monitoring business developments and events of the Group for PSI and inside information to ensure that any potential PSI and inside information is promptly identified.

(2) Any potential PSI and inside information identified is promptly reported to the company secretary of the Company who will assess, following the consultation with external financial or legal adviser if necessary or appropriate, whether the relevant information should be treated as PSI and/or inside information and whether an announcement is required or, where necessary, refer the matter to the Board for its decision.

(3) Records of any meeting and discussion concerning the evaluation of whether certain information constitutes PSI or inside information will be maintained.

(4) Relevant officers and members are frequently reminded of the need to comply with the confidentiality requirements before PSI and/or inside information is disclosed to the public and to ensure that appropriate non-disclosure agreements are put in place before the Group enters into significant negotiations or transactions.

(5) If certain information is determined to be PSI and/or inside information, it will first be disclosed by way of an announcement on the website of the Stock Exchange before it is released in other channels.

Reviews on Risk Management and Internal Control Systems

The Board, through the Audit Committee, has annually reviewed the effectiveness of the Group's risk management and internal control systems by conducting a series of reviews, including annual risk assessment conducted by third party consultant, management's assessment over internal control system and the internal audits conducted by internal audit department. The Board therefore considers that the Group's risk management and internal control systems are generally effective as at 31 December 2019, despite identifying certain areas for improvement.

The board has also reviewed the adequacy of resources, including staff qualifications and experience, training programmes and budget of its accounting, internal audit and financial reporting functions, and are satisfied with the results.

DIRECTORS'RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group contained herein. The reporting responsibilities of PricewaterhouseCoopers, the auditor of the Company, are stated in the auditor's report on pages 96 to 101 of this report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

AUDITOR'S REMUNERATION

As regards annual audit service provided to the Company, the remuneration of HK$2,080,000made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2019, the Group had engaged its auditor to provide services to the Company in respect of the interim review of the Company's results for the 6 months ended 30 June 2019. The fee paid for such service was HK$800,000. The auditor also provided other services mainly in relation to the reporting services of the Company's subsidiaries. The fees for these services were HK$300,000.

DIVIDEND POLICY

Any declaration of dividends will depend upon a number of factors including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders. There is no assurance that dividends of any amount will be declared or distributed in any given year.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman of the Board and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS'RIGHTS AND INVESTOR RELATIONS

The Company shall, for the purpose to keep its shareholders duly informed of their rights, publish from time to time the updated bye-laws of the Company in a consolidated form on the Company's website and the Stock Exchange's website.

The Group establishes communications with shareholders through the publication of announcements, notices, and circulars, interim and annual reports and in the Company's website.

According to the bye-laws of the Company, shareholders, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company, can by written requisition to the Board or the Company Secretary (see below for contact details) to request to convene a special general meeting for the transaction of any business specified in such requisition. Any general meeting at which the passing of a special resolution is to be considered shall be called by not less than 21 clear days' notice, whilst others may be called by not less than 14 clear days' notice. The chairman of any general meetings ensures that the shareholders are informed of the procedure for demanding a poll by way of explaining the same during the general meetings. The chairman of general meetings also ensures compliance with the requirements about voting by poll contained in the Listing Rules and the bye-laws of the Company.

Shareholders may put forward proposals to be considered at general meetings of the Company by convening a special general meeting under the procedure set out above.

In order to maintain an on-going dialogue with shareholders, shareholders are encouraged to attend annual general meeting of the Company at which Board members and Board committees are available to answer questions related to the Group's business. Shareholders, investors and the media can make enquiries to the Board through the following means:

Telephone number:	+852-38977778
By post:	Unit 6508, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Attention:	Company Secretary
By email:	nhwong@zendaiproperty.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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I. FOREWORD

There is an old saying goes that "action begins with knowledge, and ends in knowledge" (「知者行之始，行者知之成」). As the country is vigorously promoting the "craftsman's spirit", Shanghai Zendai Property Limited, a famous enterprise in the real estate industry in the People's Republic of China, upholds the "craftsman's spirit" and unswervingly implements the principles for business transformation and sustainable development, commits itself to high quality and comprehensively drives its rapid, healthy and sustainable development by innovation. Shanghai Zendai Property Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the development of residential and commercial properties in Nanjing, Shanghai and surrounding regions. The Group exerts every effort to incorporate the craftsman's spirit into the high-end property construction and services, works steadily and makes solid progress to realise business development and economic returns; in the meantime, it also earnestly fulfils its responsibilities in environmental protection and social contribution. As the "Paris Agreement" (the climate change accord passed at the Paris Climate Change Conference on 12 December 2015 and signed in New York on 22 April 2016, aiming to work out action plans for the world to cope with climate changes after 2020) and the UN's 2030 Agenda for Sustainable Development are determined to accelerate the low-carbon development around the globe, the Group actively undertakes its responsibilities to promote the sustainable development of China's cities, makes the construction of low-carbon ecosystem as the core task, resolutely fulfils the responsibility of protecting the green China, and makes active contribution to the commitment of realising sustainable development globally. It has the confidence that through innovation in management, thinking, technology and talent, it will create a harmonious ecosystem for customers and all stakeholders and make unremitting efforts to build a positive and stable society, and it will also work hard for this end.

The Group emphasises the management and policy implementation related to environmental, social and governance ("ESG") aspects and aims to actively fulfil its social responsibilities and improve its governance system while reducing the impact on the environment. Based on the world's best ESG practice, the Group further improves its ESG performance, adjusts corporate objectives and the process monitoring, promotes internal communication and feedback, strengthens communication and cooperation with external parties, adheres to the original mission of promoting corporate development, catches up with global industry leaders and thus realises the sustainable development value.

II. ABOUT THIS REPORT

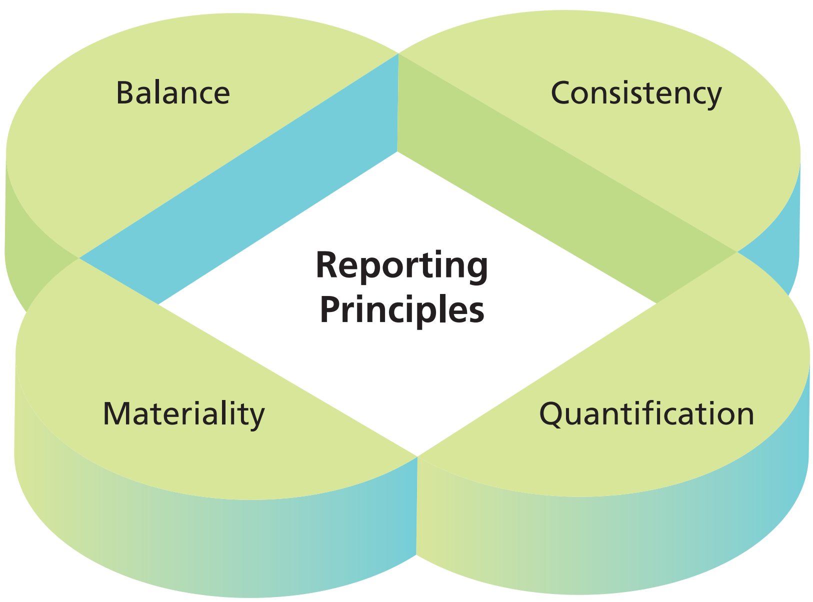
The Group strictly complies with the requirements of Environmental, Social, Governance Reporting Guide, Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange, and is pleased to present the ESG report (the "ESG Report") for the twelve months ended 31 December 2019 ("FY 2019") to elaborate the Group's principles and performance related to ESG management and sustainable development for FY 2019. Information disclosed in the ESG Report are collected and summarised through multiple channels, which include the Group's policy documents and data and the stakeholder survey. At the end of the ESG Report, an index is provided to facilitate readers checking its completeness. The report is prepared in Chinese and English and is published together with the annual report on the website of the Group (www.zendaiproperty.com).

Reporting Scope

A clear reporting scope can help readers further understand the effectiveness of ESG related policies implemented by the Group and enable the Group to effectively identify the businesses it has conducted in the year under review and the operation risks it is subject to. Based on the operation control method, the ESG Report discloses the principal businesses of the Group in FY 2019, which include property development, property operation, hotel operations and ordinary operations of the head office located in Hong Kong.

Reporting Principles

Following reporting principles is the foundation of preparing the ESG Report. The ESG Report identifies, prepares and presents the information to be disclosed under the principles of "materiality", "quantification", "balance" and "consistency".



Materiality:

The principle of materiality is a tool commonly utilised to evaluate the important environmental and social impact of an enterprise in the course of operation. In the ESG Report, the Group regards the impact of its overall strategy as the base, assesses the materiality of feedback provided by stakeholders and develops the materiality matrix. The materiality assessment and its result list "anti-corruption policies and whistleblowing procedures" and "emission of air pollutants and greenhouse gases" as sustainable issues that are material to the Group. The principle of material is also applied in collecting and analysing data related to environmental aspects. For information about use of various types of energy, the ESG Report follows the ESG Guide of the Stock Exchange to categorise and analyse such information thoroughly; however, for indicators of social aspects, the ESG Report selectively summarises and discloses the ESG key information the Group deems as important.

Quantification:

The ESG Report applies the principle of "quantification" in various aspects. In sections of "Emissions" and "Use of Energy", the ESG Report follows the quantitative analysis standard to analyse and calculate the emission of greenhouse gases and the consumption of various resources for FY 2019. In the meantime, the Group also compares the quantitative data and results with the Group's historical ESG performance and discloses its achievements in recent years and the future improvement direction.

Balance:

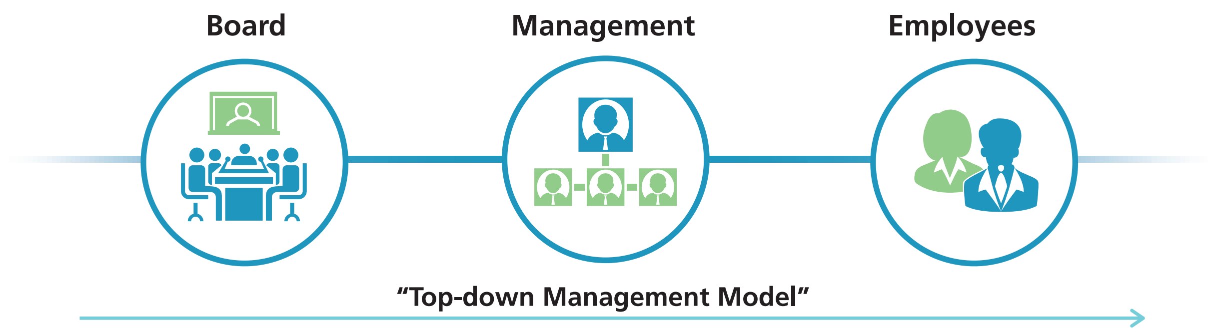
When disclosing the ESG performance, the Group follows the principle of balance to ensure that it delivers correct and valuable information to stakeholders. Guided by this principle, the Group comprehensively assesses potential ESG and climate change risks it may be subject to and discloses its ESG related progress and weakness in recent years, particularly those related to environmental aspects, so as to provide readers with a clear sustainable development blueprint.

Consistency:

The Group's ESG expert team prepares the ESG Report under the same principle for reporting scope, information collecting platform, data calculation method and reporting framework as those adopted previously. Meanwhile, the Group also discloses the calculation method related to environmental aspects, thoroughly explains the material changes and aims to improve the overall consistency with historical reports.

III. BOARD ENGAGEMENT

The board of directors (the "Board") of the Group with its acute insight in ESG risks and opportunities and long-term firm support and close attention to the Group's sustainable development is regarded as the foundation the Group's success. To reduce the negative impact on the ecological environment and social development the Group may make in the course of business operation, the Group believes that the Board plays a critical role in the implementation of sustainable management and practice. To create shared values, the Group adopts the "top-down" management strategy in promoting sustainable governance, and the Board is responsible for and supervises ESG related matters to ensure that everyone at different levels in the Group is free to communicate with the Board and the Management. The Board is responsible for setting the Group's overall operation and business development strategy and reviewing the environmental and social impact of all businesses. The Board accepts full responsibility in respect of the Group's ESG strategies and reporting.



• Set strategic plans for sustainable development;	• Guide and monitor the implementation of sustainable development policies within each business segment of the Group;	• Implement relevant policies in each stage of business operation;
• Assess internal ESG related risks and external market environment changes;	• Provide integrated solutions to issues identified in the course of policy implementation;	• Identify, manage and control operational risks;
• Analyse the potential impact climate changes and market changes would bring to the Group's business development, and work out response plans.	• Set relevant indicators and objectives, and effectively monitor the Group's progress in sustainable development.	• Accumulate experience in the actual implementation, and report difficulties, experience and lessons in the course of implementing relevant policies to the management of the Group.

To realise the Group's sustainable development strategies, the Group designates a professional team to take charge of managing day-to-day ESG matters within the Group, including coordinating with the management in the implementation of relevant ESG policies within each business department, guiding and monitoring the Group's sustainable development practices, and tracking, collecting and disclosing information about the ESG performance of the Company. Through the annual general meeting, email, telephone and reports, the Board get informed of ESG matters that are closely related to the Group's development. Setting strict requirements on compliance with policies on energy conservation and emission reduction, accepting the advice of climate-related financial disclosure workgroup to incorporate the impact of climate-related risks on the Group into the development discussion for the purpose of improving the Group's adaptation to climate changes, and assessing the annual performance of KPIs within the key environmental and social aspects, the Board is able to effectively identify risks, review the risk management structure of each business segment, work out effective countermeasures and monitor the realisation of relevant objectives.

With forward-looking strategy deployment and rigorous action plans, the Board, the management and the professional team of the Group continuously review, discuss about, revise and adjust the Group's sustainable development principles and policies, so as to adapt to the changing market environment and meet stakeholders' expectations. Meanwhile, the Group plans to improve the accountability mechanism, strives to fundamentally standardise internal business procedures and employees' behaviours, and thus guarantees the long-term industrial competitiveness and stability.

IV. STAKEHOLDER ENGAGEMENT

Effective communication with internal and external key stakeholders is of great importance to the Group. Good communication can help the Group adapt to the changing market environment, improve its professional skills and identify potential risks and development opportunities. An in-depth understanding about ESG issues stakeholders most care about further helps the Group to convert its commitment of environmental, social and economic sustainable development to long-term value creation. The Group maintains long-term and stable communication with stakeholders through various channels. In the stakeholder engagement, the Group takes the following factors into consideration, and reviews and adjusts its ESG management policies to satisfy stakeholders' requirements.

- Who are key stakeholders of the Group?
- What are the material interests of stakeholders?
- What opportunities and challenges stakeholders will bring to the Group?
- What actions should the Group take to effectively address the challenges and opportunities which stakeholders care about?

Type of Stakeholder	Major Expectations and Concerns	Regular Communication Channels
Governments and Regulatory Authorities	• Compliance with laws and regulations • Anti-corruption policies • Occupational health and safety	• Compliance with local laws and regulations • Regular reports and tax payment
Shareholders	• Return on investment • Corporate governance • Business compliance	• Corporate reports • Corporate announcements • General meetings • Official website of the Group
Employees	• Compensation and benefits of employees • Results of customer satisfaction survey • Healthy and safe working environment • Training and learning opportunities	• Assessment of employee performance • Meetings and trainings • Theme-based workshop • Email, notice board, hotline and engagement of employees and the management
Customers	• Product quality management • Protection of consumer privacy and rights • Sustained provision of reliable and high-quality services to consumers	• Customer satisfaction survey • Face-to-face meetings and on-site survey • Customer service hotline and email
Suppliers	• Fair and open procurement • Win-win cooperation • Environmental protection • Strengthened interaction and communication	• Open tendering • Supplier satisfaction survey • Discussion on the phone • Face-to-face meetings and on-site survey • Industry workshop
Professional Institutions	• Development of policies to regulate employee and business practices • Environmental protection and social responsibilities	• Discussion on the phone • Questionnaires and online engagement • Meetings (non-formal meetings or the annual general meeting)
The Public	• Engagement in community activities • Business ethics • Environmental protection awareness	• Press conference and inquiry response • Social charity activities • Face-to-face interview

In a bid to enhance the recognition of the Group and its stakeholders about global sustainable development goals and their progress, the Group launched promotion and education of UN Sustainable Development Goals by questionnaires to its internal employees and external parties. Based on results of the survey, the Group defined Goal 3, Goal 4 and Goal 11 as the UN Sustainable Development Goals which stakeholders most cared about, and adopted their specific requirements as the key focuses of the Group's sustainable development in the future.

- Goal 3: Good Health and Well-Being – "Ensure healthy lives and promote well-being for all at all ages."
- Goal 4: Quality Education – "Obtaining a quality education is the foundation to improving people's lives and sustainable development."
- Goal 11: Sustainable Cities and Communities – "Make cities inclusive, safe, resilient and sustainable"

Source: http://www.undp.org/content/undp/en/home/sustainable-development-goals.html

In response to stakeholders' concern about the Sustainable Development Goals and for aligning its business strategies with international standards and requirements, the Group is prepared to make solid contribution to the global sustainable development in the following areas:

11 SUSTAINABLE CITIES AND COMMUNITIES

Climate change is definitely a global challenge. As a famous real estate developer, the Group sets new objectives, improves the management procedures and strengthens the sustainable development realisation of its buildings. With efficient utilisation of limited resources and development and application of innovative technologies, the Group devotes itself to achieving progress in green building design and development. It complies with relevant laws and environmental standards issued by cities where it operates businesses, further incorporates climate-related risk factors into the building design and development, makes every possible effort to bring sustainable elements to the local market and to improve its performance in energy efficiency, water saving, humanistic idea and other aspects.

3 GOOD HEALTH AND WELL-BEING

The Group attaches great importance to the environmental health and safe working in the operation practice. The physical and mental health of employees and the safe and favourable working environment are both important to the Group's long-term development. In the course of operation, especially in property development and construction, the Group not only emphasises the compliance with relevant laws and regulations issued by relevant jurisdictions in respect of occupational health and safety, but also establishes functional departments within the Group and each subsidiary, sets up the management system, and improves the internal guideline and system, so that it can ensure employees work safely and effectively and are free from occupational dangers. In the meantime, the Group focuses on safety issues of its products, puts the health of owners in the top priority at any time, offers customers outstanding, innovative and reliable products and services, and ensures that business operated comply with national requirements on occupational health and safety.

4 QUALITY EDUCATION

For a long period of time, the Group firmly believes that reasonable and effective internal trainings are the key to keeping long-term competitiveness and improving innovation ability. The Group pays great attention to employees' offline training, and realises productive trainings through effective monitoring by internal policies and the human resources department, enabling employees who have attended the trainings to improve themselves and greatly enjoy the training. To be specific, the administrative and human resources department of the Group organises trainings for employees according to the annual corporate policy, which cover comprehensive management, professional knowledge and other fields. With diversified on-the-job trainings and external programs, the Group hopes that employees will continuously improve themselves, acquire more knowledge and skills related to their jobs, and foster the attitude of pursuing progress and achieving self-breakthrough. It also establishes a reasonable promotion mechanism to encourage employees to realise their own value through participating in quality training courses.

Materiality Assessment

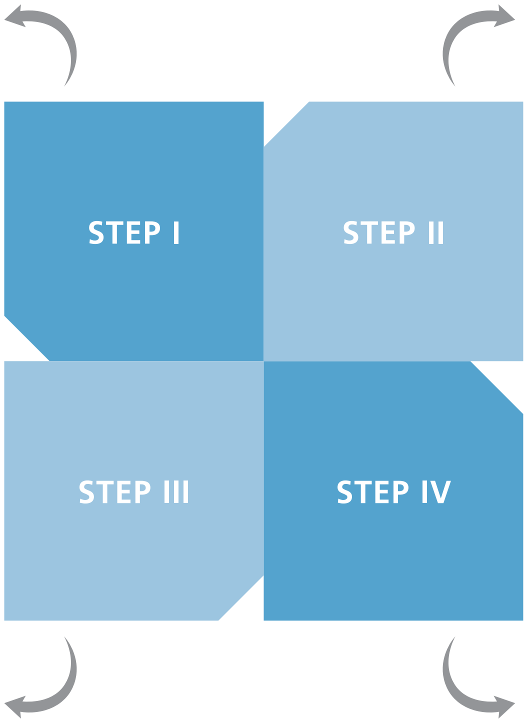
Materiality Assessment Procedures

Identification

Identify materiality based on a number of factors including the impact of stakeholders on the Group

Recognition

Collect opinions and advice from important stakeholders through effective stakeholder engagement, and incorporate these opinions and advice into the discussion about the Group's development strategies



Priority

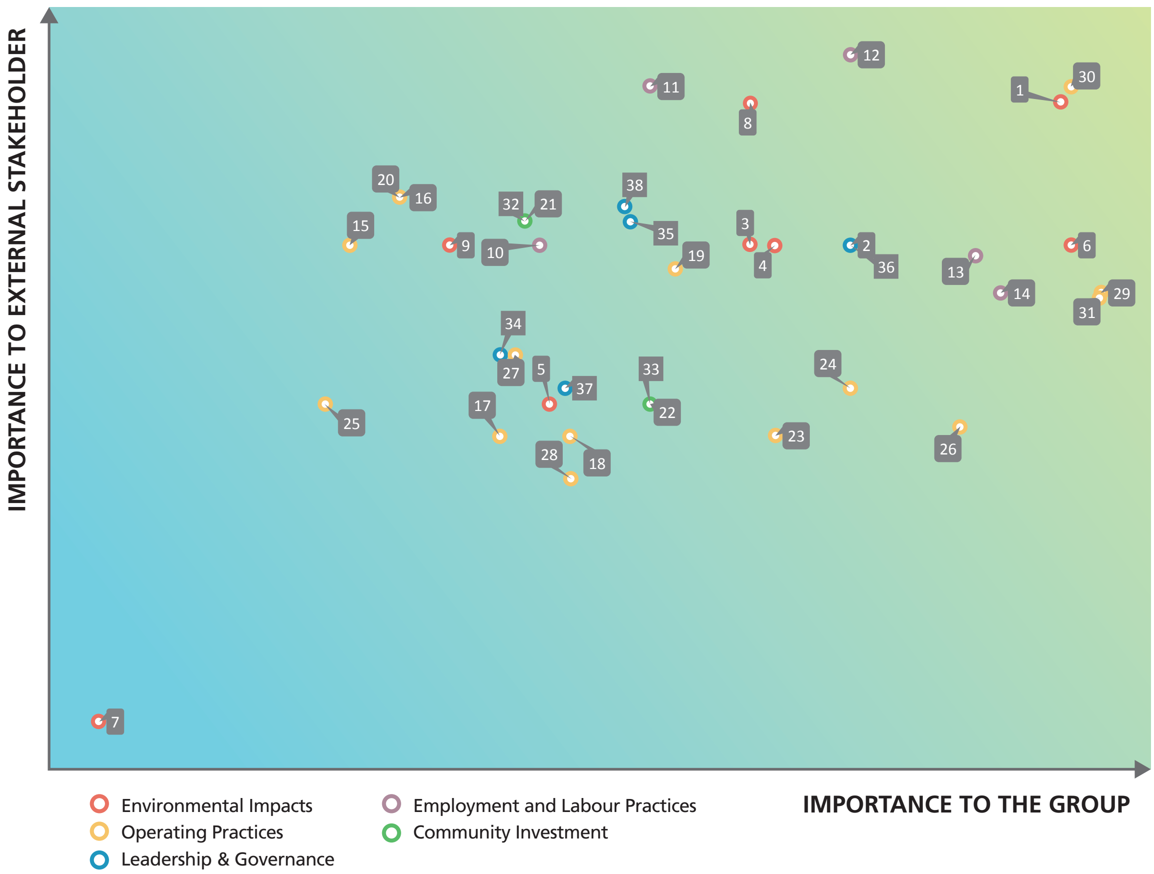
Prioritise the issues put forth by stakeholders through the materiality matrix, and identify the most important sustainable development aspects to the Group

Assessment

Analyse the Group's overall performance in all important aspects, assess the possible risks, and respond to stakeholders with future measures to cope with such risks

Enterprises may be faced with different risks and challenges in ESG management because of different characteristics of industries in which they are engaged, which also depend on their specific business models and development directions. Every year, the Group conducts annual stakeholder review to identify stakeholders' focuses of and material interest in the Group's ESG matters. In FY 2019, the Group engaged an independent third party to invite important stakeholders to participate in the stakeholder materiality assessment and survey. The Group selected internal and external stakeholders based on the influence of stakeholders to the Group and the Group's dependence on stakeholders. Stakeholders who were invited provided their opinions in respect of ESG management and relevant issues through the ESG questionnaires designed by the Group. The questionnaire covered environmental impact, employment, supply chain risk management, implementation of anti-corruption policies, community services and the sustainable governance system within the Group. Based on results of the survey, the Group prepares the following materiality matrix, promptly identifies ESG issues of high materiality and therefore realises effective business management.

Stakeholder Engagement Materiality Matrix



1	Emission of air pollutants and greenhouse gases	14	Prevention of child labour and forced labour	27	Labelling issues related to products/services
2	Wastewater treatment	15	Selection of local suppliers	28	Product design innovation & product lifecycle management
3	Land use, pollution and restoration	16	Good communication and relationship with suppliers	29	Number of cases related to bribery, extortion, fraud and money laundering in which the Company is involved
4	Solid waste treatment	17	Suppliers' environmental risks (e.g. environment pollution)	30	Anti-corruption policies and whistleblowing procedures
5	Use of energy	18	Suppliers' social risks (e.g. monopoly)	31	Anti-corruption trainings for leadership and employees
6	Use of water resource	19	Procurement measures	32	Communication and interaction with local communities
7	Use of raw materials/ packaging materials	20	Environmental friendliness of product and service procurement	33	Engagement in charity activities
8	Measures for protecting the environment and natural resources	21	Health and safety of products/services	34	Promotion of local employment
9	Climate change risk	22	Customer satisfaction	35	Adaptability and resilience of business model to environmental, social, political and economic risks and opportunities
10	Employee diversity	23	Marketing and promotion	36	Response to and management measures to changes of legal and regulatory environment (legal compliance management)
11	Employee remuneration and benefit policy	24	Compliance with and protection of intellectual property	37	Emergency response capability
12	Occupational health and safety	25	Product quality assurance and recall rate	38	Systematic risk management
13	Employee development and training	26	Protection of customer information and privacy		

Through the materiality analysis, the Group lists "anti-corruption policies and whistleblowing procedures" and "emission of air pollutants and greenhouse gases" as ESG issues of high materiality. The survey also motivates the Group to prioritise and invest more resources to the research of relevant sustainable development issues, and to disclose specific information in such area in the ESG Report.

Stakeholder Feedback

In pursuit of excellence, the Group is open to stakeholders' feedback and opinions in respect of ESG approach and performance improvement, particularly feedback about ESG issues the Group deems as highest materiality.

V. ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT

To realise the long-term sustainable development of the environment and community in which the Group operates its businesses, the Group is committed to strictly controlling emissions and managing resource consumption, and complies with environment-related laws and regulations in the PRC in the course of ordinary operation, which include but are not limited to:

- Environmental Protection Law of the People's Republic of China;
- Law of the People's Republic of China on Environmental Impact Assessment;
- Water Pollution Prevention and Control Law of the People's Republic of China;
- Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes;
- Management Measures on Duplicated Form for Hazardous Wastes Movement (《危險廢物轉移聯單管理辦法》) and
- Energy Conservation Law of the People's Republic of China.

This section discloses the Group's policies, practices and quantitative data about emissions, use of resources, the environment and natural resources in FY 2019.

A.1. Emissions

In FY 2019, the Group observed national and local environmental laws in respect of emissions in the ordinary operation. There was no violation of laws and regulations that had significant impact on the Group, including waste gas and greenhouse gas emission, discharging wastes to water and land, discharging hazardous and non-hazardous wastes, and noise. The Group firmly adhered to the high-quality operation vision of "innovative, coordinated, green, open and shared" development, actively managed energy consumption and reduced the negative impact on the environment.

In view of its business model and characteristics, the waste gas emission of the Group is mainly produced by the fuel consumption of business-purpose vehicles. In FY 2019, the Group produced 1.42 kg of sulfur oxide ("SO_X"), 62.01 kg of nitrogen oxide ("NO_X") and 4.57 kg of particulate matter ("PM"). The Group earnestly promoted the green development concept, actively adhered to the initiative of "United Nations Framework Convention on Climate Change", and spared no efforts to effectively control the greenhouse gas emission. In FY 2019, the greenhouse gases of the Group were mainly from fuel consumption of business-purpose vehicles and electricity consumption in the course of operation. During the year under review, the total greenhouse gas emission of the Group was 34,427.0 t CO_2e, and the intensity was 28.4 t CO_2e per person. In addition, the Group also produces certain solid wastes and wastewater in the course of operation, which mainly include commercial wastes, construction wastes, waste paper and commercial wastewater. During the operation in the year, the Group produced a total of 18,227 tonnes of non-hazardous solid wastes (with intensity of 15.0 tonnes per person) and 360,594 m^3 non-hazardous commercial wastewater (with intensity of 297.6 m^3 per person). During the year under review, the Group did not produce any hazardous wastes. Table 1 summarises the emission data of the Group in FY 2019.

Table 1. Overall Emissions of the Group in FY 2019 ***

Type of Emission	KPI	Unit	Total for FY 2019	Annual intensity for FY 2019 (unit/person)*	Annual intensity for FY 2018 (unit/person)**
Waste gas emission***	SOx	kg	1.42	1.2×10^{-3}	1.2×10^{-3}
	NOx	kg	62.01	0.05	0.05
	PM	kg	4.57	3.8×10^{-3}	4.0×10^{-3}
Greenhouse gas emission	Scope 1 (direct emission)	t CO_2e	2,436.4	2.0	0.2
	Scope 2 (indirect emission of energy)	t CO_2e	31,653.1	26.1	23.9
	Scope 3 (other indirect emission)****	t CO_2e	337.5	0.3	0.1
	Total emission (Scope 1, 2 and 3)	t CO_2e	34,427.0	28.4	24.2
Non-hazardous wastes	Solid wastes	tonne	18,227	15.0	15.2
	Wastewater	m^3	360,594	297.6	260.0

* *The emission intensity of FY 2019 is equal to waste gas, greenhouse gases and other emission produced by the Group in FY 2019 divided by the average number of employees of the Group in FY 2019;*

** *The data of emission intensity in FY 2018 is available from the section headed "Environmental, Social and Governance Report" in the Annual Report 2018 of the Group;*

*** *The waste gas emission only includes air pollutants the Group produced in the course of utilizing business-purpose vehicles in FY 2019. To maintain the consistency of statistical approach and to improve the comparability of the report, the intensity of waste gas emission in FY 2018 has been revised according to the statistical approach adopted in FY 2019;*

**** *Scope 3 (other indirect emission) only includes waste paper disposed to landfill and electricity utilised by government departments for treatment of fresh water and wastewater; and*

***** *The approach adopted in reporting the greenhouse gas emission stated above is based on the "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs" issued by Hong Kong Exchanges and Clearing Limited and the emission factor database of Intergovernmental Panel on Climate Change (IPCC).*

Property Development Business

Emission of this business mainly includes wastewater, construction wastes, dust and noise. The property development business of the Group does not produce other hazardous emissions.

Waste Gas

Waste gas produced by this business segment is mainly air pollutants produced in the course of fuel consumption of business-purpose vehicles in daily operation. Gasoline is used as the power source of automobiles, and waste gas produced includes SO_X, NO_X and PM. In controlling the waste gas emission, the business segment responds to the country's call of energy conservation and emission reduction, implements and adopts targeted policies and measures, further encourages the use of liquefied natural gas as the fuel of automobiles, thereby minimising the waste gas emission. As such an initiative is promoted vigorously, the Group effectively controlled the waste gas emission in FY 2019. In the meantime, the Group maintains and updates the equipment on a regular basis to improve the operation efficiency.

Greenhouse Gases

It is generally believed that energy consumption is the major reason for the increasing greenhouse gas (carbon dioxide, methane and nitrous oxide) content in the air. In FY 2019, the greenhouse gas emission of the Group was mainly from electricity purchase and vehicle utilisation. The Group attaches great importance to the control of greenhouse gas emission, and will adopt more effective control on the use of electricity to maintain the fluctuation of annual electricity consumption under non-exceptional circumstances below 10% in the short term. To minimise the greenhouse gas emission at source, the Group further controls the utilisation of gasoline and reduces its reliance on fossil fuel. It has developed and implemented internal policies in this regard, which are further disclosed in "Electricity Consumption" and "Other Energy and Resources" below.

Wastewater

Wastewater in this business segment mainly includes the sewage produced by employees in daily operation and the wastewater discharged in property development. The sewage produced by employees is directly discharged to the local sewage treatment plant through municipal drainage pipelines, while other oily wastewater will be treated by filter to remove the oil and residue before being discharged into municipal sewage pipelines. Wastewater produced in the course of construction will go through three-tier sedimentation and treatment before it is discharged. To prevent discharging muddy water out of the construction site, the Group employs the muddy water treatment device in the discharge system to reduce the discharge of muddy water. As the amount of wastewater depends largely on the water consumption, the Group has adopted specific measures to reduce the water consumption in the course of operation, which are further disclosed in "Water" below.

Solid Wastes

Solid wastes produced by the business segment include the non-hazardous solid wastes generated in the operation and the domestic solid wastes generated by employees in daily life. The office and domestic solid wastes generated by employees are put into the waste bins placed by local government, which will be collected and treated by the environmental sanitation department of the government. To fulfil the Group's commitment to sustainable waste management, each business segment of the Group has taken effective actions to reduce, reuse and recycle solid wastes. The specific measures include the followings:

- Sort solid wastes and recycle solid wastes as much as possible;
- Educate all employees to reduce the use of plastic tableware and other disposable consumables; and
- Advocate recycling and reusing office supplies and other materials.

The Group values the sorting and treatment of solid wastes. In FY 2019, domestic solid wastes, recyclable construction wastes, unrecyclable construction wastes and waste paper produced by the Group were 14,420 tonnes, 549 tonnes, 3,221 tonnes and 37 tonnes, respectively. In particular, as a result of the Group's effective construction waste management, unrecyclable construction wastes the Group produced in the year under review decreased by approximately 8% from the level of previous year. With concerted and unremitting efforts, the Group effectively controlled the annual intensity of solid wastes.

Dust and Noise

The business generates dust and noise in construction. As the amount of dust generated is beyond measurement, no specific value is provided in the ESG Report. In order to reduce the effects of dust generated in construction on surrounding environment, a series of measures have been taken for the business including establishment of a car wash compartment at the exit to construction site to prevent vehicles taking dust and sludge out of the construction site, installation of pressurized atomization and dust removal devices along the main roads of construction site, erection of enclosure facilities of no less than 1.8m surrounding the construction site during construction, use of sealed equipment for transportation of dust, and daily wash of ground or watering, to clean dust and prevent accumulation of sludge. In order to reduce noise generated in construction, for the business, low-noise machinery and equipment or soundproof or sound muffling equipment are used to replace traditional equipment and it is prevented to conduct operations using high-noise equipment at noon and night.

Hotel Operations

Emissions produced by the business are mainly domestic wastewater, solid wastes and greenhouse gases generated during daily operation.

Greenhouse Gases

The greenhouse gas emission of the business is mainly from the use of natural gas in kitchen and the electricity consumption for hotel operation. To further reduce the consumption of natural gas and electricity, the Group fosters employees' energy conservation awareness through training and education programs. In the meantime, the Group controls the water temperature of water boilers and heating boilers in the management of hotel operations, checks and maintains boilers and gas appliances on a regular basis, and appoints personnel to conduct effective monitoring.

Wastewater and Waste Oil

The domestic wastewater generated by the business is directly discharged into the local sewage treatment plant via the municipal sewage pipelines. For the waste oil generated by kitchen, the Group has taken measures for classified storage and entrusted an outsourcing company specialized in treatment of oily wastes for regular collection and treatment.

Solid Wastes

Kitchen garbage and domestic waste generated by customers represent the major solid wastes of the business. Therefore, a garbage chamber is set for the business for classified collection of garbage and a company specialized in garbage treatment is engaged to be responsible for sorting and collection of daily operation garbage of hotels. Meanwhile, a garbage management system is also set up for the business to reduce the generation of garbage and employees are urged to fully utilize resources and prevent waste. In order to minimize the generation of solid wastes, proactive efforts are exerted to recycle recyclable soap, tissues, packaging materials and other consumables, and fewer disposable slippers and disposable bath supplies are provided to customers.

Property Management Business and Office

Waste Gas and Greenhouse Gases

Emission of waste gas and greenhouse gases produced by the business is mainly from the exhaust generated in the use of business-purpose vehicles and the electricity consumption in daily operation. The Group enhances the management of business-purpose vehicles, encourages employees to reduce unnecessary travel and advocates e-working and holding meetings and discussions through the network. As the greenhouse gas emission is closely related to the electricity consumption, the Group develops electricity saving measures to reduce the electricity consumption in daily operation, which are further disclosed in "Electricity Consumption" and "Other Energy and Resources".

Wastewater

The domestic wastewater generated by employees for the business is discharged to the sewage treatment plant via municipal drainage pipelines. In order to save water, the Group has adopted water saving measures to reduce the discharge of wastewater. During the year under review, the Group proactively promoted water-saving practice among the residents within its property management areas to reduce the discharge of wastewater. Detailed introduction is further set out in the section headed "Water".

Solid Wastes

Solid wastes produced by the business mainly include domestic solid wastes produced in daily life, decoration wastes produced by property owners in home decoration and other solid wastes including waste lights, pesticide bottles, waste batteries and electric plates and waste paint cans. To effectively manage solid wastes produced by the business segment, the Group sorts the solid wastes discovered in property management and conducts investigations to find the sources and reasons for such wastes. For example, waste lights are produced after the maintenance of lighting system of public areas; pesticide bottles are wastes of landscaping work; waste batteries and electric plates are produced by the replacement of interphone. Generally, domestic solid wastes and construction wastes are disposed and transported by professional sanitation companies, and hazardous wastes are treated by professional waste disposal companies who are engaged by the Group. The general unrecyclable solid wastes generated by employees in offices of the Group are put into the waste bins placed by local government, which will be collected and treated by the environmental sanitation department of the government. The Group also vigorously promotes the collection and reuse of recyclable wastes.

A.2. Use of Resources

In FY 2019, resources consumed by the Group mainly included electricity, gasoline, natural gas, water, paper, raw materials in hotel operation and property development, such as hotel daily necessities, construction materials and packaging materials. The Group uses a small amount of diesel for its emergency generator of the building. As the diesel for standby use was minimal, the Group has not recorded the specific consumption according to the principle of materiality. During the financial year, each business segment of the Group attached great importance to the effective utilisation of raw materials, energy and resources, and established relevant policies and improved the management system to further improve the energy utilisation efficiency and to reduce the reliance on fossil energy. The Group's use of various types of resource in FY 2019 is set out in Table 2 below.

Table 2. Overall Use of Resource of the Group in FY 2019

Use of Energy	KPI	Unit	Total for FY 2019	Annual intensity for FY 2019 (unit/person) *	Annual intensity for FY 2018 (unit/person)**
Energy	Electricity	kWh	43,998,535	36,317.4	33,128.0
	Gasoline	L	96,298	79.5	84.0
	Natural gas	m^3	1,168,290	964.3	773.0
Water	Water	m^3	592,214	488.8	435.0
Raw materials	Towel	tonne	7	5.8×10^{-3}	–
	One-off wash supplies	tonne	32	2.6×10^{-2}	–
	Paper	kg	91,668	75.7	68.0
	Stone materials	tonne	4	3.3×10^{-3}	–
	Steel products	tonne	5	4.1×10^{-3}	–
Packaging materials ***	Plastic bags	piece	131,209	108.3	110.0
	Cartons	piece	12,293	10.1	11.0
	Seal paper	roll	20	1.7×10^{-2}	–
	Labels	piece	5,080	4.2	–

* *The intensity in FY 2019 is equal to resource consumption of the Group in FY 2019 divided by the average number of employees in FY 2019;*

** *The data of intensity in FY 2018 is available from the section headed "Environmental, Social and Governance Report" in the Annual Report 2018 of the Group; and*

*** *To ensure the rigorousness and accuracy of the data disclosed, the Group strictly measures the use of packaging materials, incorporates the seal paper and labels into the measurement scope in FY 2019, and will disclose the weight of various packaging materials in the future when the measurement of the weight is realised.*

Electricity Consumption

Electricity consumption of the Group is mainly for daily operation of office and each business segment. All business segments of the Group have complied with relevant regulations and the Group's electricity saving policies. Business segments of the Group witnessed rapid development in recent years, and the aggregate electricity consumption slightly increased as compared with the level of FY 2018. To further reduce electricity consumption and therefore reduce greenhouse gas emission, the Group attaches great importance to the study and application of ISO 14001 Environmental Management System and ISO 50001 Energy Management System, and continuously improves its environmental performance in a systematic way. The Group has incorporated the watchword "electricity saving" into its business development strategies and taken the following measures:

- Turn off all lights, electronic equipment and other electricity consuming equipment at the end of the day;
- Turn off all idle lights and air conditioners (for example, most electrical equipment will be turned off during lunch time);
- Display posters which state "Save electricity, and turn off lights before leaving" to encourage employees and customers to save energy;
- Clean and maintain electrical equipment (such as air conditioners and paper shredders) in the office on a regular basis to maintain the efficiency;
- Adjust the service temperature of air conditioners according to the weather;
- Offer employees in the office education programs on energy conservation and environmental protection;
- Equip the staircases with sound-control lights;
- Incorporate energy efficiency into the centralised air conditioning system procurement policy;
- Set thermometers at air vents to detect and adjust the indoor temperature more accurately;
- Purchase and use electrical equipment with energy conservation labels;
- Replace traditional bulbs with a high power consumption with energy-efficient lights in the office; and
- Encourage employees to withdraw the curtains when possible to fully enjoy the natural light.

Other Energy and Resources

Energy and resources consumed by the Group in daily operation (including the transportation, business-purpose vehicles and hotel operation) include gasoline and natural gas. The Group has been committed to reducing the consumption of traditional fuels for a long term, vigorously promotes replacing traditional energy with clean energy, and actively responds to the call of the State to effectively improve the internal operation model and the equipment, therefore realising sustainable development. In FY 2019, the Group encouraged employees of each business segment not to drive to work, but to take public transport or walk to work instead, hold online meetings by leveraging electronic equipment and advanced technologies, and reduce business trips. With an effective control on the use of gasoline, the gasoline consumption and intensity of the Group in FY 2019 decreased by 4.4% and 5.3% respectively.

Water

Saving water and improving water efficiency are material environmental issues which subsidiaries of the Group care about. During the year under review, the Group did not experience any problems in sourcing water that is fit for purpose. It encourages employees to save water and hopes that employees in the office can reduce water consumption and improve the reuse of water in reasonable ways. To further improve the water resource utilisation efficiency, the Group will require its employees to strictly implement the following policies in the future:

- Repair dripping taps immediately to prevent any leakage in the water supply system;
- Display labels "Save water resources" at conspicuous positions to encourage employees and customers to cherish water resources;
- Repair immediately taps, connectors and any malfunction in the water supply system;
- Promote the importance of saving water to employees through internal trainings and workshops;
- Encourage employees to reduce the use of water for toilet flushing reasonably;
- Collect wastewater for reuse in floor and site cleaning as much as possible;
- Equip public restrooms with auto-sensing flushing system; and
- Design double-flush restrooms for hotel rooms to encourage customers to reasonably use water resources.

Raw Materials and Packaging Materials

To reduce solid wastes in operation, the Group strictly controls the consumption of raw materials and packaging materials, actively promotes the practice of environment-friendly services and the "sustainable development" concept to employees and customers. To be specific, the Group takes effective measures and explores advanced approaches to reduce the material consumption in property development. Hotels and the property management business of the Group also take actions, purchase environment-friendly products and advocate effective utilisation of materials. In FY 2019, the Group made great progress in controlling packaging material consumption, and the consumption of plastic bags and cartons decreased by 871 pieces and 1,411 pieces, respectively. The consumption of seal paper decreased by approximately 33% from FY 2018. The Group emphasises the effective management of paper procurement and utilisation, vigorously promotes the paperless office and office automation concepts, and implements the following measures in daily office operation:

- Set duplex printing as the default mode of most networked printers;
- Display posters and labels in the office to promote the idea "think before your print" to remind employees to avoid unnecessary printing;
- Set boxes and shelves beside the printer to collect one-side paper for reuse or recycling; and
- Reuse one-side paper for printing or as scratch paper.

A.3. The Environment and Natural Resources

For a long time, the Group has profoundly realised that the sustainable development idea is a healthy and harmonious development concept based on human's long-term development and aimed to satisfy the needs of future generations. With the understanding of and commitment to UN Sustainable Development Goal 11 – Sustainable Cities and Communities, the Group devotes itself to improving internal management policies, strengthening employees' environmental protection awareness, reducing negative impact on the environment and coping with the impact of climate changes. Taking a series of effective measures, the Group is committed to reducing the consumption of energy, resources and materials including electricity, gasoline, natural gas, water resources and paper. During the year under review, the impact the Group has made on the environment and natural resources mainly included the greenhouse gas emission and the sourcing of natural resources for business development. To control the greenhouse gas emission, the Group continuously strengthened its daily operation, especially the management of electricity and other energy. For instance, the Group added the insulation layer to the existing system to reduce the electricity consumed for maintaining the indoor temperature and to reduce the heat loss in the pipeline. In the meantime, the Group offered charging stations for electric vehicles and natural gas power equipment to reduce the consumption of gasoline and traditional fuels, therefore realising energy conservation, waste gas reduction and mitigating the profound impact of climate risks.

For the control of resource consumption, the Group focuses on cultivating the environmental protection awareness of employees and the public and encourages them to lead a green life. For instance, the Group adopts recyclable toner cartridges in office operation, abandons the original "Use-Scrap" mode and adopts the "Use-Recycle" mode to dispose used paper, and puts the "circular economy" theory into its daily work.

Each business segment of the Group also takes active actions, fully implements environmental policies by taking account of industrial characteristics, and develops internal policies for energy conservation and emission reduction, including the Office Management System (《辦公管理制度》), the Regulations on Central Air-Conditioning Operation and Management (《中央空調運行管理規程》), the Energy Management System (《能源管理制度》) and the Regulations on Energy Conservation and Consumption Reduction (《節能降耗管理規定》). The hotel operations deepen its understanding of UN Sustainable Development Goals in its daily operation, avoids the consumption of shark fins and endangered species and makes active contribution to the protection of species diversity. In the landscaping design of hotels and the property development, the Group focuses on the improving the greening ratio, reducing the use of rigid pavement and stone materials, and installs energy conservation and emission reduction monitoring and management facilities at Thumb Plaza. In property management operations, electrical patrolling vehicles are adopted for maintaining order, which could reduce the use of fossil energy. Additional environmentally-friendly oil separation tanks are installed, which are subject to regular maintenance for a good operation.

Looking forward, the Group will stick to the road of sustainable development, further improve the operation model, pursue green development, make further progress in innovation and research, strive to realise business growth and strengthen environmental protection at the same time.

VI. SOCIAL SUSTAINABLE DEVELOPMENT

Employment and Labour Practices

B.1. Employment

The Group strives to promote professional, high-execution and warm working principles and working atmosphere, values the capabilities of employees, and regards them as the key to promoting our success and maintaining our sustainable development. The Group is committed to providing employees with a suitable and stable working platform to enable them to enhance their professional skills and qualities while realizing their own value. As of 31 December 2019, the Group had a total of 955 employees.

Compliance with laws

Since its establishment, the Group's employment policy has been continuously updated and revised to cater for social changes and comply with relevant laws and regulations. During the 2019 financial year, the Group has complied with relevant laws and regulations on employment management, including the following:

- Employment Ordinance (Cap. 57 of the laws of Hong Kong);
- Employees' Compensation Ordinance (Cap. 282 of the laws of Hong Kong);
- Minimum Wage Ordinance (Cap. 608 of the laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong);
- Disability Discrimination Ordinance (Cap. 487 of the laws of Hong Kong)；
- Race Discrimination Ordinance (Cap. 602 of the laws of Hong Kong)；
- Sex Discrimination Ordinance (Cap. 480 of the laws of Hong Kong)；
- The Labour Law of the People's Republic of China;
- The Employment Promotion Law of the People's Republic of China;
- The Labour Contract Law of the People's Republic of China;
- The Social Insurance Law of the People's Republic of China; and
- The Provision on Minimum Wage.

The human resources department of the Group regularly reviews and updates relevant policies within the Company in accordance with the latest laws and regulations. The Group purchases five national statutory social insurances including basic endowment insurance, basic medical insurance, employment injury insurance, maternity insurance and unemployment insurance as well as housing fund for the employees in Mainland China and makes contributions to the mandatory provident fund for its employees in Hong Kong.

Recruitment and promotion

The Group solicits excellent talents with competitive and fair remuneration and benefits relying on various channels including the Internet, institutional recruitment seminars and agencies. The Group has formulated the Management Rules on Recruitment and the Management Rules on Labour Contracts, and determines applicants' remuneration and benefits based on their previous performance, personal quality, work experience and occupational expectation. In order to motive and reward the existing employees, the Group conducts regular remuneration review according to the Group's profitability, employees' performance and market trends. The promotion policy of the Group adheres to the principle of fairness and transparency, and talents are promoted according to position requirements. Employees with excellent performance and positive attitudes may have the promotion opportunities offered by the Group based on relevant employees' personal willingness and its comprehensive assessment.

Remuneration and dismissal

The Group constantly reviews its remuneration system and regularly evaluates the work performance and potentials of employees. The Group reports the annual remuneration status to the Remuneration Committee annually, and makes reasonable adjustments to the corporate remuneration plan in accordance with the industry's remuneration standards. The Group's practices on entry salary, salary distribution and salary adjustment are strictly implemented in accordance with internal policies. Any employment, promotion or termination of labour contracts of the Group must have a reasonable basis and be strictly conducted in accordance with internal policies. The Group strictly prohibits any unfair or unreasonable dismissal, and accordingly, it has formulated strict employee management policies to stipulate the dismissal procedures such as the employee manual. Employees wishing to quit need to apply in advance and fill out the Resignation Application Form, specifying the reason for leaving. After the application is approved by the management, relevant employees shall timely submit the same to the human resources department and obtain the approval from the human resources department before going through the separation procedures. For employees who violate the Group's employment policies, the Group will give a verbal warning to them before issuing a warning letter. For employees who repeatedly make the same mistakes after receiving any warning, the Group will terminate their employment contracts in accordance with relevant national laws and regulations.

Working hours and holidays

The Group has formulated corresponding policies in its employee manual in accordance with local employment laws, including the State Council Regulations on Working Hours of Employees (《國務院關於職工工作時間的規定》). The Group exercises strict control over the attendance time of employees and has put in place incentive and punishment rules relating to attendance. In addition to the basic paid annual leave and statutory holidays under employment laws promulgated by central and local governments, employees are also entitled to marriage leave, maternity leave, funeral leave and other additional vacations. When asking for leave, an employee is required to complete the Employee Leave Application Form stating the reason and time for leave, which will take effect after being signed and approved by his/her superiors.

Equal opportunity and anti-discrimination

As an employer offering equal opportunities, the Group attaches great importance to the promotion of anti-discrimination and creation of equal opportunities in human resources and employment-related decisions, thus creating a work environment featured by fair competition, mutual respect and diversity. Therefore, the Group constantly regulates its daily corporate practices and avoids any activities that may violate the principles of equal opportunities and anti-discrimination. The policies on training and promotion opportunities, dismissal and retirement in all business departments of the Group are not based on employees' age, gender, marital status, pregnancy status, family status, disability, race, color, descent, minority or ethnicity, nationality, religion or any other non-work-related factors. The Group encourages employees to report any suspected incidents of discrimination to the human resources department. The human resources department will evaluate and record the relevant factual events and take any necessary disciplinary actions against the relevant responsible persons.

Other entitlements and benefits

The Group believes that improving employees' compensation package and well-being is an important way to optimize the corporate human resource management and implement our talent-based strategy. In accordance with relevant national laws and regulations, the Group provides employees with work-related injury insurance and carries out team-building activities. During the 2019 financial year, the Group provided employees with various benefits including holiday gifts and birthday gifts, and held several tourism activities (including tours to Thailand, Chengdu, Xiamen and Liyang), New Year's party, ball games and other activities. The management of the Group maintains good communication with employees through social media, e-mail, telephone and collaborative management software systems.

During the 2019 financial year, the Group has strictly complied with relevant laws and regulations regarding remuneration and dismissal, recruitment and promotion, working hours, vacations, equal opportunities, diversification, anti-discrimination, other entitlements and benefits and other laws and regulations that have a significant impact on the Group.

B.2. Health and Safety

The Group has always believed that providing and maintaining a safe, clean and friendly working environment to all employees is of paramount importance. During the 2019 financial year, the Group implemented strict safety and health policies and strictly complied with relevant PRC laws and regulations including the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Law of the People's Republic of China on Occupational Disease Prevention, the Work Injury Insurance Ordinance and the Law of the People's Republic of China on Production Safety.

In order to implement the laws, regulations, policies and standards on prevention and treatment of occupational diseases of the PRC and thus to strengthen the management of prevention and treatment of occupational diseases, the Group proactively supervises and urges the management and employees to emphasize the safety management of daily work and production to eliminate potential safety hazards in a timely manner. All employees stationed at the construction sites shall receive training on emergency management and occupational health and safety from the construction units to increase employee's safety awareness and prevent any occupation harms. At the same time, the Group endeavours to provide a clean, smokeless, healthy and safe working environment for employees. In case of occupational hazards or accidents, the Group shall promptly report to the local production safety supervision and management department and organize all departments to take effective measures rapidly to reduce or eliminate occupational hazard factors and prevent aggravation of accidents.

The Group provides employees with occupational disease protection facilities and personal protective equipment that meet the requirements of occupational disease prevention and control, and adopts a rotation work system to ensure the safety of employees. The behaviours in violation of laws and regulations on prevention and treatment of occupational diseases and endangering life and health are subject to serious treatment. The employees engaged in special types of work must accept special training and are only allowed to work with a permit for special types of work. For special types of positions, the Group regularly organizes assessment and training for employees to protect their health and safe work environment.

During work hours, the Group keeps all emergency exits in the workplaces open, and ensures that all first-aid facilities can work effectively. In addition, the Group has also formulated an emergency plan and arranged at least one fire safety training drills for office premises every year. The Group's administrative and human resources department organizes services such as health check-ups and occupational disease diagnosis and treatment each year, and provides emergency management training and occupational health training to employees in specific positions.

During the 2019 financial year, the Group complied with relevant laws and regulations on providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group in providing a safe working environment and protecting employees from occupational hazards.

Since the outbreak of the novel coronavirus pneumonia in 2020, the Group has paid close attention to ensuring the health and safety of all employees. We actively responded to the instructions and requirements of the Central Leading Group for the New Coronavirus Infection Pneumonia Outbreak and tried our best to stop the spread of the epidemic to resolutely win the war of prevention and control of the epidemic. The Group issued the Notice on Implementing Specific Work During Epidemic Prevention and Control (《關於落實疫情防控期間相關具體工作的通知》) and the Notice on Related Work During Epidemic Prevention and Control (《關於做好疫情防控期間相關工作的通知》), and quickly established an epidemic prevention and control team. The Group made strict and effective regulations on a series of aspects such as transportation of employees, temperature measurement in the work areas and disinfection, meeting format, office mode, dining arrangements and emergency response. Generally speaking, the Group used all means to effectively prevent and control the epidemic to comprehensively protect the health and safety of employees.

B.3. Development and Training

The Group believes that training is an important part of an enterprise's sustainable development and also the key to maintaining its long-term competitiveness. The Group provides comprehensive training and development programs for its employees, aiming at enhancing their work skills and knowledge. The Group provides periodic training to its staff members of different positions.

The internal training of the Group includes orientation training, on-post skill training and the in-house training within respective departments, which could ensure employees possess the necessary professional knowledge and have sufficient ability to handle their daily work. The Group's training is profession-oriented, aiming at providing employees from different businesses with the relevant vocational skill training for the related positions on a regular basis. The Group will formulate an annual training schedule and such training will be conducted in different forms, levels and means on a yearly, quarterly or monthly basis.

In addition, the Group also encourages its employees to participate in external training, including various training workshops and inspection tours for management and professional staff. The Group also encourages its employees to participate in the examinations for professional licenses or qualifications related to their jobs, aiming at enhancing their personal competence, business knowledge and professional standards. With the consent of his/her superiors, an employee may apply for reimbursement for the costs incurred by the relevant training and examinations. In doing so, the Group hopes to provide impetus to employee's self-directed learning, which could effectively enhance the Group's overall competitiveness.

During the 2019 financial year, the Group provided its employees with extensive training courses, including but not limited to training in occupational health and safety, emergency management, fire safety, comprehensive management and professional knowledge.

B.4. Labour Standards

During the 2019 financial year, the Group complied with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Labor Law of the People's Republic of China, the Regulations on the Prohibition of Child Labor in the People's Republic of China and other relevant labour laws and regulations in China, and prohibited the employment of any child labour or forced labour. In order to combat illegal employment related to child labour, underage workers and forced labour, the human resources department of the Group requires all applicants to provide valid identification information and other relevant documents in accordance with the employee manual, ensuring that applicants can be legally hired before accepting the offer. The human resources department of the Group is also responsible for supervising and ensuring the compliance of our corporate policies and practices with laws and regulations prohibiting child labour and forced labour before employees' employment. Once the Group finds any violation of labour standards, the employment contract will be terminated immediately. At the same time, the Company will punish the responsible person or department, and the responsible person will be dismissed and litigated in the case of a serious situation.

In the 2019 financial year, the Group has not violated any relevant laws and regulations that have a significant impact on the Group in preventing child labour or forced labour.

Operating Practices

B.5. Supply Chain Management

Effective supply chain management is the key to the Company's business development. As a socially responsible company, the Group attaches great importance to mitigating environmental and social risks in its supply chain, and recognises its responsibilities and obligations in strengthening the management and control of suppliers. The Group requires its suppliers to comply with relevant laws and regulations, and each of its subsidiaries shall strictly and continuously monitor qualifications and supply chain practices of its suppliers.

Property Development and Management Business

The main raw materials purchased by the Group's property development and management business include office supplies, hardware consumables used for maintenance and paints, as well as labour protection supplies. Suppliers for this business are mainly selected by way of tender. During the bidding process, the Group strictly follows the Supplier Selection Management System which expressly states that suppliers shall meet the Group's internal product and service standards, and observes relevant national and local market practices. Suppliers are required to provide business licenses, qualification certificates, permits for safe production, credential handbook and the certificates of the relevant personnel (such as a constructor certificate, safety certificate and others). After reviewing the basic information of suppliers, the Group will conduct an on-site and business survey on qualified bidders' background and their quality control system and business license, equipment and facilities, financial position, reputation, after-sales services' quality, the fulfillment of social and environmental responsibilities, and whether their technical and construction capacity are in line with the Group's standards and specifications on development projects. When selecting suppliers, the Group will pick the winning bidder after review by the bidding team and decision-making team based on the inspection results. During bidding, the Group will select at least three suppliers as candidates.

The Group classifies suppliers into different groups to implement different management strategies for suppliers. In formulating the development plan, the Group and the selected contractors and subcontractors will cooperate closely and implement close monitoring of construction stages to supervise the quality and progress of projects. In the meantime, the Group conducts an annual review and a review upon final acceptance to assess its suppliers' performance in accordance with technical standards, quality, delivery, management and service level to ensure the stability of supplier chain. For unqualified products or services, the Group will return goods or demand for the re-provision of services or resort to other means in accordance with laws and regulations as well as contracts, and will include such supplier into the blacklist to safeguard the Group's interests. For the purpose to timely discover and solve any potential problems, the Group proactively maintains a good and long-term relationship with the selected suppliers and makes regular inspection on the cooperation status. Given the strong relationship between the Group and suppliers, there was no material delay in the supply of goods by suppliers in previous years. In the process of cooperation with its suppliers, the Group strictly abides by the relevant national laws and regulations such as the Anti-Unfair Competition Law and Interim Provisions on Prohibiting Commercial Bribery.

The Group attaches great importance to the control of environmental risks in the process of supply chain management, and incorporates the environmental protection into its decision-making when selecting suppliers and product supplies. The Group follows the requirements of green procurement and minimizes its impact on the environment during the procurement process. Therefore, most of our suppliers in the 2019 financial year were located in Nanjing and Shanghai.

Hotel Operations

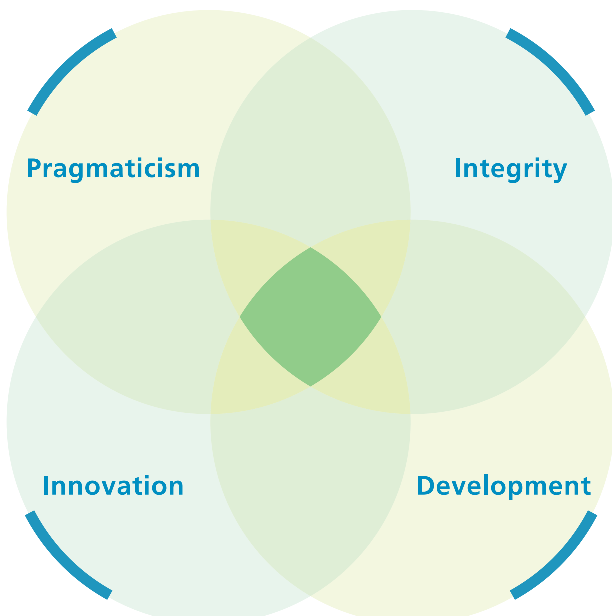
The main materials purchased by the Group's hotel operations are hotel-related items, including daily food ingredients, condiments, beverages, washing supplies, engineering maintenance items and accessories, lamps and guest room linen. Our suppliers mainly include drinking water companies, food companies, hotel supplies companies and clean technology companies.

Adhering to high standards, the Group selects responsible suppliers and maintains long-term cooperative relationships with them. The purchase department chooses the suppliers as recommended by peers or the Group's existing suppliers in accordance with department requirements and industry standards, and the relevant department shall confirm the service contents and product standards. In selecting suppliers, the Group also requests suppliers to present the business license, tax registration certificate, organization code, product's production license and other business certificates for internal assessment. The suppliers of special industries shall also provide industry-related operating permits, such as product's test report, chemical medicine's production license, hygienic license, alcohol wholesale license. The Group requires that the business premises of suppliers supplying products should comply with the corresponding national regulations. For example, chemicals suppliers shall meet the production conditions which fulfil the requirements of environmental protection, and food suppliers' premises shall be subject to the relevant food safety requirements of the governmental authorities. The Group's on-site inspection regarding the main suppliers' operating premises is one of the bases for selecting suppliers. In selecting suppliers, the Group will consider suppliers' product quality, production capacity, reputation, qualifications and the fulfilment of environmental responsibilities.

B.6. Product Responsibility

With regard to the health and safety, advertising, labelling and privacy matters of the Group's products and services, the Group complied with relevant PRC laws, regulations and standards during the 2019 financial year, including:

- the Law of the People's Republic of China on Product Quality;
- the Law of the People's Republic of China on Fire Prevention;
- the Law of the People's Republic of China on Construction;
- the Administrative Regulations on Production Safety of Construction Works;
- the Law of the People's Republic of China on Production Safety;
- the Law of the People's Republic of China on the Protection of Consumer's Rights and Interests;
- the Law of the People's Republic of China on Intellectual Property Rights;
- the Law of the People's Republic of China on Advertising; and
- the Property Management Regulations.



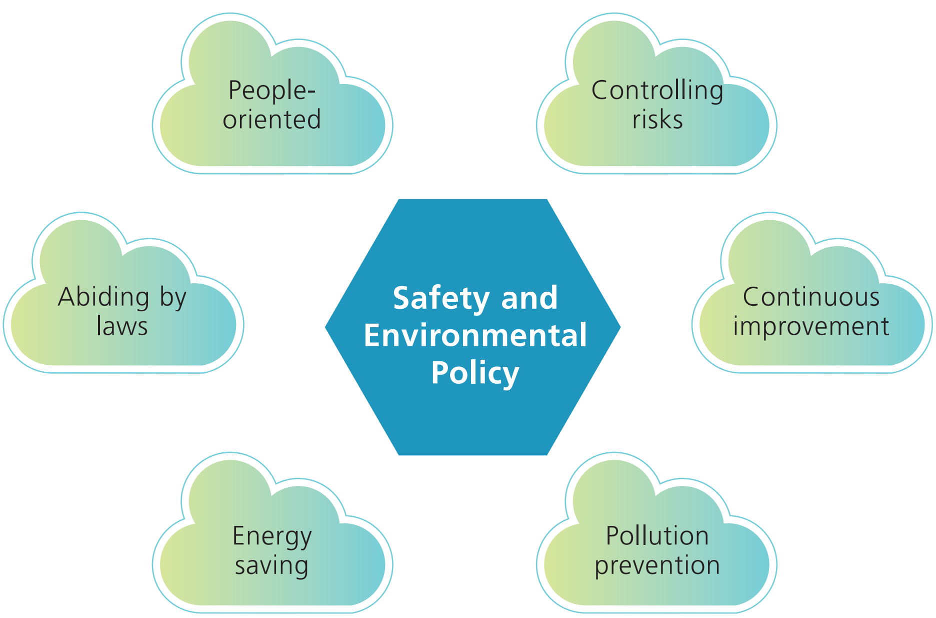
Quality Policy for Products/Services

Property Development and Management Business

As a well-known property developer in China, the Group puts the customer first, keeps pace with the times, and constantly improves the service level and product quality. The Group establishes quality objectives in the planning phase of each property development project, and formulates corresponding technical standards and construction plans. The engineering management centre and project engineering supervision department of the Group's operating subsidiaries are responsible for supervising construction projects and monitoring project progress to ensure that every link from design and construction to final delivery of one project is in line with the project's planning and construction agreements. To make sure that the materials used for construction meet safety standards, the Group closely monitors the site acceptance of materials through quality monitoring and process acceptance procedures. The Group adopts the cycle management method to effectively manage each stage of the project, including project planning and management, raw material evaluation and procurement, construction project's progress to property sales and management.

The property management of the Group attaches importance to the safety management of property buildings and the effectiveness of fire prevention and disaster prevention appliances. Therefore, the Group has formulated internal policies including Fire Control Central Control Room Management System, Fire Safety Management System, Safety and Fire Patrol Management Regulations, Hot Work Management Regulations, Order Maintenance Staff Inspection Regulations, Emergency Response Plans Management System, Safety Inspection Management System Before Holidays, Flood Control Regulations, and Articles Distribution Management Regulations, and strictly implement all work requirements to ensure the safety of property management. The Group conducts self-examination regularly in accordance with the policies on safety inspection, including the Incident Reporting Mechanism. The headquarters of the Group conducts safety inspection on a quarterly basis and conducts review and assessment for project safety. The contents of such assessment include: contingency treatment and management, fire equipment management, fire engine access management, on-site inspection of the safe use of electricity and regulatory records, control of renovation materials, on-site inspection of construction sites and monitoring thereof and training on fire-fighting, fire drill, contingency plan record and others. The safety and quality of properties developed by the Group are subject to monitoring by qualified persons in different construction stages to ensure compliance with the standards and provisions of the Group. The chief supervisory engineer of projects, acting as the project supervisor, must gain relevant work experience and certificates (e.g. certificate for nationally certified supervision engineer) according to the project scale and complexity, engineering environment and other factors.

The Group's property management segment has established a high-quality, environment and occupational health and safety management system in strict accordance with its management manual, and has set specific targets for the services and products provided in terms of environment, quality, and occupational health and safety. These targets cover specific quantitative indicators including customer satisfaction, timeliness of maintenance, hazardous waste recovery rate and accident rate to ensure the professionalism of property management and further enhance customer satisfaction. Specifically, the Group's property management segment pays close attention to all aspects of the management process and has established corresponding management policies, such as the Environmental Operation Standards, the Administrative Regulations on Anti-rat Control, the Regulations on Management of Daily Cleaning, the Administrative Regulations on Exterior Wall Cleaning, the Management Regulations on Maintenance of Green Areas, the Management Regulations on Maintenance of Stone, the Regulations on the Management of Garbage Removal and Transportation, the Regulations on Maintenance Management in Public Areas, the Regulations on Safe Operation in Limited Space, the Regulations on Water Supply Management, the Regulations on Management of Air Conditioning Machine Rooms, the Decoration Inspection Management Regulations, the Ventilation System Management Regulations, the Domestic Pump Houses and Fire Pump Houses Management Regulations, the Rain and Sewage Pipes Management Regulations, the Substation and Distribution Stations Management Regulations, the Temporary Power Management Regulations, the Elevator Management System, the Safety Operation Rules, the Second-decoration Management Regulations, the Household Maintenance Management Regulations and the Enterprise Publicity Production Management System. The quality assurance department supervises the performance in the above aspects in accordance with the Quality Inspection and Evaluation Management Measures, issues a rectification letter for items requiring rectification, and monitors the relevant rectification progress.



The Group attaches great importance to the positive evaluation and constructive opinions from customers, and has established a complete complaint management system to handle related complaints about the properties under management and construction processes. The Group believes that, reviewing customers' complaints with a positive attitude, giving timely feedback and proposing solutions are the core elements that reflect the Group's outstanding property management capabilities. Once any complaint is received, the Group will immediately initiate a follow-up mechanism and ensure that the verified complaint can be effectively resolved. The Group also strictly eliminates any false or exaggerated publicity. Through the establishment of relevant advertising management policies and the effective involvement of internal legal departments, the Group has strict management over its publicity to ensure the authenticity and reliability of advertisements.

Hotel Operations

The Group is committed to providing customers with a premium board and lodging experience and satisfying customers through meticulous services and a systematic management model. The Group's policy in the hotel operations business is to consistently apply the people-oriented concept, and the Group has also obtained ISO 9001 quality management system certification, ISO 14001 environmental management system certification, OHSAS 18001 occupational health and safety management system and ISO 50001 energy management system certification which are designed to strengthen internal management.

For purposes of safeguarding the service quality and security of its hotels, the Group's Quality Management Department is set up to be responsible for the monitoring and inspection of various services. The standards of such inspection are implemented in accordance with various internal operating guidelines of the Group, including but not limited to the Fire Hazard Rectification System, the Management and Maintenance Mechanism of Fire Hydrant System, the Management System of Safe Evacuation Facility, Procedures Concerning the Disposal of Suspected Explosives Items/Intimidated Phone Calls. The Group conducts a third-party inspection over all of the safety equipment of the hotels on a regular basis so as to ensure the safety of hotel guests. Meanwhile, our hotels may also regularly carry out maintenance and cleaning of the central air conditioning system so as to ensure the air quality of the hotels.

The hotels of the Group actively communicate with guests to listen to their specifications and opinions on our services. When receiving a complaint from a guest, the lobby manager will handle the complaint immediately. If the complaint exceeds the authorization range of the lobby manager, it will be reported upwards level by level until the general manager. The customer's opinions will be handed over to the team of the relevant department for timely follow-up, and the relevant person in charge must promptly return the complaint processing progress to the guest. Each hotel of the Group calculates customer satisfaction based on the customer survey summary data, so as to timely adjust and continuously improve the Group's operation and management model, strengthen the relevant training for hotel staff, and further improve the quality of service.

The Group's hotel operations attach great importance to the protection of customer privacy. By establishing strict internal management policies and installing supporting facility software, we undertake to comply with all laws and regulations on privacy of personal data in the jurisdictions, and make every effort to ensure that customers information is never disclosed. The Group has established access authorities of different levels, and only authorized employees are allowed to access to customer' personal information. All personal information collected for maintaining membership qualification can only be used for membership management and marketing with the permit of customers. All the information related to the stay of hotel guests must be kept in the computer system. All information is kept strictly confidential except for disclosure based on the legal certification provided by the relevant governmental authority. The relevant employees are required to sign and execute the confidential agreement for implementing the confidentiality of daily work. The internal policies of the Group clearly stipulate the management of computers and files, and all employees must strictly abide by the same, and it is strictly forbidden to disclose any confidential information (such as name, company, account, payment information, etc.) to outside parties without the authorization of the customer. During the year under review, the Group did not receive any complaints about customer data leakage.

During the 2019 financial year, the Group did not violate any relevant laws and regulations concerning the health and safety, advertising, labelling and privacy matters of its products that have a significant impact on the Group.

B.7. Anti-corruption

The Group upholds high ethical standards and has zero-tolerance for any form of corruption in business operations or supply chains. In order to maintain a fair, honest and efficient working environment, the Group complies with the local laws and regulations on anti-corruption and bribery where the Group operates, including the Anti-Corruption Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, 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).

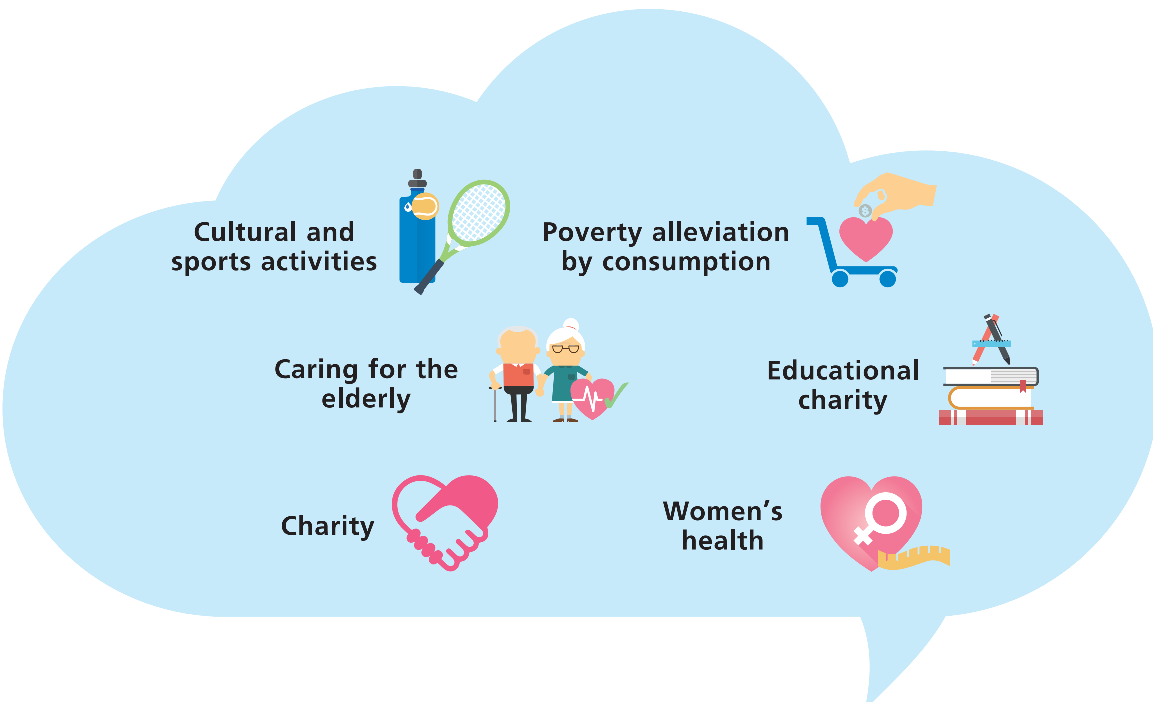
The Group formulates and strictly implements its anti-corruption policies, such as the internal and external communication standards, personal interests and company interests as set out in the employee manual, so as to prevent any fraud. The Group prohibits all forms of bribery and corruption, and requires all employees to strictly abide by professional ethics. The Group has established an internal compliance department to supervise and report any violations of code of professional ethics. All employees may report any suspected misconduct that may harm or is harming the interests of the Group to the Group's regulatory department verbally, in writing or through the Company's internal ERP platform during the operation and management activities, and provide details and evidence. The Group has established an effective grievance mechanism to avoid whistle-blowers from unfair dismissal or injury. If a suspected criminal act is found, the Group will report to the relevant regulatory or law enforcement agency as soon as the management deems it necessary.

During the 2019 financial year, the Group did not have any legal cases regarding corruption by the Group or its employees. Nor has the Group violated any relevant laws and regulations on anti-bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Community

B.8. Community Investment

The Group is fully aware that the sustainable development of the business is inseparable from the stability and harmony of the community. The Group insists on fulfilling its social responsibilities as a corporate citizen and works closely with local governments and non-governmental organizations. The Group also adheres to the tenet of "humanity and dedication", pays attention to the needs of society and dedicates love to the socially disadvantaged groups, striving to improve the living standards of the communities where it operates. Over the years, our community activities have made active contributions to the communities mainly in the following aspects: holding community cultural and sports activities, carrying out charity projects for the elderly, implementing community consumption poverty alleviation projects, fulfilling the public welfare duties of education, paying attention to women's health, and participating in social charity public welfare activities. In addition, the Group invested and rewarded society and local communities through donations of articles, volunteer services and joint efforts with charities and all sectors of the society.

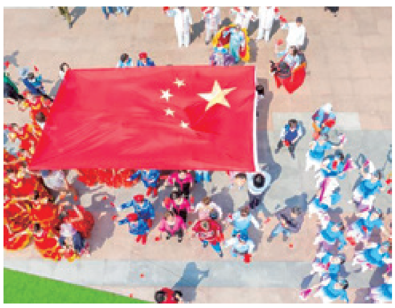


Cultural and sports activities

On 11 May 2019, the branch of the Group joined hands with Lianyang Community, Huamu Sub-district, Pudong New District, Shanghai, to hold a Mother's Day-themed event, creating a romantic and warm Mother's Day atmosphere. From 31 August to 15 September in 2019, the branch of the Group held the Thumb Plaza Basketball World Cup event. The event promoted basketball culture in the community through live broadcasts of outdoor games and 3v3 community public welfare games, and encourages the public to strengthen their fitness through sports. On the opening day of the event, the Group invited Li Zhangmin, the first coach of the former Chinese famous basketball player and the incumbent chairman of the Chinese Basketball Association Yao Ming, to guide and participate in the event as an "honorary advisor for the public welfare basketball of Lianyang Community".










Caring for the elderly

On 13 October 2019, the branch of the Group and the Lianyang community jointly held the Chongyang Festival-themed event. The event was divided into three main areas: the charity bazaar, the elderly-care area and the art performance area. It was carried out by means of rich performance programs to promote the traditional virtues of respecting, loving and helping the elderly in the community and society.

Poverty alleviation by consumption

In response to the Guiding Opinions on In-depth Development of Poverty Alleviation by Consumption and Helping to Fight the Poverty Alleviation issued by the General Office of the State Council, the property team of the Group actively joined the frontline of "poverty alleviation by consumption". Through the theme activity of "Taking one jin home（帶一斤回家）", we encouraged people to purchase green and high-quality agricultural products produced in poor areas, support local economic development, and improve their living standards. All the property management projects of the Group in Shanghai had opened "small farming stores（助農小店）". By scanning the QR code to enter the "Le Nongshe（樂農社）" applet, the public could purchase nearly 70 agricultural products from Shanxi, Tibet and Anhui. At the same time, through vigorous publicity, the Group encouraged employees and property owners to participate in "poverty alleviation by consumption" activities, and opened up sales channels for agricultural products in poor and mountainous areas, making tangible contributions to the "poverty alleviation by consumption".

Educational charity

The "Youth Gather Strength, Realizing Dreams in Action" poverty alleviation charity activity jointly planned and initiated by the Shanghai Municipal Cooperation and Exchange Group Working Committee, the Shanghai Charity Foundation and the Municipal Youth Volunteer Association was officially launched in August 2019. The branch of the Group actively responded to the call of the Shanghai Property Management Industry Association, and took the initiative to help Yunnan, Zunyi of Guizhou, Kashgar of Xinjiang, Shigatse of Tibet and Golog of Qinghai through supporting young people in these areas to fulfil their "tiny wishes". By fulfilling each of their "tiny wishes", we have created good learning conditions for the poor youth groups in remote areas and solved their practical expectations.


捐赠证书

上海证大物业管理有限公司

Women's health

Since the opening of the Qingdao Zendai Himalayas Hotel, the Group has held the "Pink Ribbon for Love（粉紅絲帶為愛奔跑）" charity event as the organizer in conjunction with the Qingdao Red Cross Rose Fund for six consecutive years. This charity project attracted nearly 500 participants with the theme of "Measure Love with Running, Make Persistence More Meaningful（用跑步丈量愛心，讓堅持更有意義）", and it focused on poor female patients with severe diseases such as breast cancer in Qingdao and surrounding areas, and provided emergency medical assistance amounting to RMB3,000 to RMB10,000 to encourage them to overcome the diseases and enjoy a healthy life.

Measure Love with Running　　**Make Persistence More Meaningful**

Charity

The Group has never forgotten its original intentions and is enthusiastic about performing its responsibilities in public welfare. It actively contributes to society by proactively participating in unpaid blood donation activities. In August 2019, the Nanjing Branch of the Group and the Jiangsu Blood Center launched a non-remunerated blood donation charity event at the Nanjing Zendai Himalayas Center, and employees of the Nanjing Branch actively signed up. In September of the same year, the Shanghai branch of the Group organized employees to participate in voluntary blood donation. Voluntary blood donation activities reflect the social responsibility and sense of mission of the Group's employees, and the Group's adherence to the concept of giving back to the society in its development and delivering positive energy to the society.

At the beginning of 2020, the outbreak of the new coronavirus cast a shadow on all cities, causing great inconvenience and concern for people living in the cities. As a corporate citizen, the Group was obliged to assume its social responsibilities and establish a safety net for the basic protections of the people's livelihood. On 29 January 2020, the Fanghouli Restaurant in the Thumb Plaza of the Group donated fresh vegetables to help residents who were segregating themselves. The Group strictly monitored the implementation of its epidemic prevention and control work, and strived to do a good job in the control of entrances and exits and the disinfection and cleaning of public areas, in an effort to protect the safety and health of community residents and employees in the shopping mall.

Looking ahead, the Group will continue to pay attention to the vulnerable people in the community, do its utmost to fulfil its social responsibilities, make efforts to actively promote continuous prosperity and development, and strive to create the greatest value for society.

VII. REPORT DISCLOSURE INDEX

Aspects	KPI	Description	Page
A.1. Emissions	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	60
	KPI A1.1	The types of emissions and respective emissions data.	
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
A.2. Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	65
	KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	
	KPI A2.2	Water consumption in total and intensity.	
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
	KPI A2.5	Total packaging materials used for finished products and, if applicable, with reference to per unit produced.	

Aspects	KPI	Description	Page
A.3. The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	68
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
B.1. Employment	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	69
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
B.2. Health and Safety	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	72
	KPI B2.1	Number and rate of work-related fatalities.	
	KPI B2.2	Lost days due to work injury.	
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	

Aspects	KPI	Description	Page
B.3. Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	74
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
	KPI B3.2	The average training hours completed per employee by gender and employee category.	
B.4. Labour Standards	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	75
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
B.5. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	75
	KPI B5.1	Number of suppliers by geographical region.	
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
B.6. Product Responsibility	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	78

Aspects	KPI	Description	Page
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
	KPI B6.4	Description of quality assurance process and recall procedures.	
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	
B.7. Anti-corruption	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	83
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	
B.8. Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	84
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Shanghai Zendai Property Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Shanghai Zendai Property Limited (the "Company") and its subsidiaries (the "Group") set out on pages 102 to 215, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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.

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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

The key audit matter identified in our audit is related to the valuation of investment properties:

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Note 17 to the consolidated financial statements The Group's investment properties were measured at fair value and carried at approximately HK$3,251 million as at 31 December 2019 with a fair value loss of approximately HK$13 million for the year then ended. The fair values of investment properties were determined by the Group based on the valuations performed by independent professional valuer (the "Valuer") engaged by the Group. The Group's investment property portfolio mainly included completed investment properties in mainland China. The valuation of investment properties was derived from the income capitalisation approach, the direct comparison method or a combination of these method/approach. For income capitalisation approach, the relevant key assumptions include capitalisation rate, reversionary yield and monthly rental. For direct comparison method, the relevant key assumption is the estimated price per square meter, with reference to recent transactions of the comparable properties and adjusted for differences in key attributes such as but not limited to location and property size. All the relevant key assumptions were influenced by the prevailing market conditions and each property's characteristics. We focus on this area due to the significant quantum of investment properties to the consolidated financial statements and the relevant key assumptions applied in valuation involved significant judgments and estimates.	We assessed the competence, capabilities and objectivity of the Valuer. We obtained the valuation report of each property and assessed the appropriateness of the valuation methods/approaches applied. We assessed the reasonableness of relevant key assumptions used in valuation including capitalisation rates, reversionary yield, monthly rental and estimated price per square meter by gathering and analysing the data of comparable properties in the market and the characteristics of individual investment property such as location, age and size. We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuer and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations. Based on our works performed, we found the significant judgments and estimates used in the valuation of investment properties were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

We communicate with the Audit Committee of the Company 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 of the Company 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 of the Company, 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 Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2020

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 HK$'000	2018 HK$'000
Revenue	7,8	**1,348,592**	7,172,037
Cost of sales	10	**(1,030,595)**	(6,360,457)
Gross profit		**317,997**	811,580
Other income and gains/(losses)-net	9	**18,213**	(24,038)
Net impairment losses on financial assets		**(102,669)**	(56,963)
Selling and marketing expenses	10	**(137,763)**	(196,909)
Administrative expenses	10	**(375,339)**	(340,270)
Change in fair value of investment properties	17	**(12,560)**	1,705
Share of results of an associate	20	**(18,916)**	(48,498)
Finance costs-net	12	**(771,034)**	(805,072)
Loss before income tax		**(1,082,071)**	(658,465)
Income tax credit/(expense)	13	**20,673**	(321,711)
Loss for the year		**(1,061,398)**	(980,176)
Loss for the year attributable to:			
– Owners of the Company		**(1,058,026)**	(905,485)
– Non-controlling interests		**(3,372)**	(74,691)
		(1,061,398)	(980,176)
Loss per share			
– Basic	15	**HK$(7.11) cents**	HK$(6.09) cents
– Diluted	15	**HK$(7.11) cents**	HK$(6.09) cents

The notes on pages 110 to 215 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Loss for the year	**(1,061,398)**	(980,176)
Other comprehensive loss:		
Items that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(56,289)**	(258,442)
Release of exchange differences on disposal of subsidiaries	**–**	31,548
Release of exchange differences on disposal of an associate	**–**	(1,335)
	(56,289)	(228,229)
Items that will not be reclassified to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**–**	8,262
Other comprehensive loss for the year, net of tax	**(56,289)**	(219,967)
Total comprehensive loss for the year	**(1,117,687)**	(1,200,143)
Total comprehensive loss attributable to:		
– Owners of the Company	**(1,104,444)**	(1,125,222)
– Non-controlling interests	**(13,243)**	(74,921)
Total comprehensive loss for the year	**(1,117,687)**	(1,200,143)

The notes on pages 110 to 215 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

		As at 31 December	
	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**1,004,676**	595,709
Investment properties	*17*	**3,250,502**	3,180,068
Land use rights	*4,18*	**–**	470,810
Investment in an associate	*20*	**–**	18,994
Financial assets at fair value through other comprehensive income	*25*	**37,304**	37,984
Amounts due from an associate	*20*	**244,797**	246,884
Deferred income tax assets	*30*	**3,302**	5,234
Pledged bank deposits	*23*	**549,957**	254,695
Total non-current assets		**5,090,538**	4,810,378
Current assets			
Properties under development and completed properties held-for-sale	*21*	**10,982,091**	11,000,960
Inventories		**2,749**	3,218
Contract assets		**18,242**	11,455
Trade, other receivables and prepayments	*22*	**344,136**	664,668
Deposits for properties under development		**1,836**	15,268
Amounts due from an associate	*20*	**10,386**	10,575
Financial assets at fair value through profit or loss	*25*	**24,049**	13,366
Tax prepayments	*29*	**274,003**	215,167
Pledged bank deposits	*23*	**895,094**	879,943
Cash and cash equivalents	*24*	**510,151**	843,049
Total current assets		**13,062,737**	13,657,669
Total assets		**18,153,275**	18,468,047
EQUITY			
Equity attributable to owners of the Company			
Share capital	*31*	**297,587**	297,587
Reserves		**2,722,719**	2,769,137
Accumulated losses		**(1,410,893)**	(352,867)
		1,609,413	2,713,857
Non-controlling interests		**61,143**	74,386
Total equity		**1,670,556**	2,788,243

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	As at 31 December 2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings and loans	*27*	**3,005,212**	3,828,558
Lease liabilities	*4,32*	**76,244**	–
Deferred income tax liabilities	*30*	**708,867**	749,764
Other payables	*26*	**5,855**	19,326
Total non-current liabilities		**3,796,178**	4,597,648
Current liabilities			
Trade and other payables	*26*	**2,670,050**	3,681,881
Contract liabilities	*7(d)*	**4,665,769**	3,279,438
Amounts due to minority owners of subsidiaries		**112,857**	570,966
Borrowings and loans	*27*	**4,909,250**	3,140,228
Lease liabilities	*4,32*	**36,066**	–
Tax payables	*29*	**292,549**	409,643
Total current liabilities		**12,686,541**	11,082,156
Total liabilities		**16,482,719**	15,679,804
Total equity and liabilities		**18,153,275**	18,468,047

The notes on pages 110 to 215 are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 26 March 2020 and were signed on its behalf.

Wang Letian
Director

Tang Jian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital *(Note 31)* HK$'000	Share premium *(a)* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(b)* HK$'000	Special capital reserve *(c)* HK$'000	Statutory surplus reserve HK$'000	Other reserve *(d)* HK$'000	Accumulated losses HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve HK$'000	Equity Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2019	297,587	2,164,682	1,074	157,315	68,541	353,746	278,464	(352,867)	(262,310)	7,625	2,713,857	74,386	2,788,243
Comprehensive loss													
Loss for the year	–	–	–	–	–	–	–	(1,058,026)	–	–	(1,058,026)	(3,372)	(1,061,398)
Other comprehensive loss													
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	(46,418)	–	(46,418)	(9,871)	(56,289)
Total other comprehensive loss, net of tax	–	–	–	–	–	–	–	–	(46,418)	–	(46,418)	(9,871)	(56,289)
Total comprehensive loss	–	–	–	–	–	–	–	(1,058,026)	(46,418)	–	(1,104,444)	(13,243)	(1,117,687)
At 31 December 2019	297,587	2,164,682	1,074	157,315	68,541	353,746	278,464	(1,410,893)	(308,728)	7,625	1,609,413	61,143	1,670,556

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital *(Note 31)* HK$'000	Share premium *(a)* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(b)* HK$'000	Special capital reserve *(c)* HK$'000	Statutory surplus reserve HK$'000	Share option reserve HK$'000	Other reserve *(d)* HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2018	297,587	2,164,682	1,074	157,315	68,541	353,746	62,100	278,464	482,256	(34,311)	7,625	3,839,079	149,536	3,988,615
Comprehensive loss														
Loss for the year	–	–	–	–	–	–	–	–	(905,485)	–	–	(905,485)	(74,691)	(980,176)
Other comprehensive loss														
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	–	–	–	8,262	8,262	–	8,262
Disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	8,262	–	(8,262)	–	–	–
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	(258,212)	–	(258,212)	(230)	(258,442)
Release of exchange differences on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	31,548	–	31,548	–	31,548
Release of exchange differences on disposal of an associate	–	–	–	–	–	–	–	–	–	(1,335)	–	(1,335)	–	(1,335)
Total other comprehensive loss, net of tax	–	–	–	–	–	–	–	–	8,262	(227,999)	–	(219,737)	(230)	(219,967)
Total comprehensive loss	–	–	–	–	–	–	–	–	(897,223)	(227,999)	–	(1,125,222)	(74,921)	(1,200,143)
Transactions with owners in their capacity as owners														
Release upon lapse of share options	–	–	–	–	–	–	(62,100)	–	62,100	–	–	–	–	–
Acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(229)	(229)
Transactions with owners in their capacity as owners	–	–	–	–	–	–	(62,100)	–	62,100	–	–	–	(229)	(229)
At 31 December 2018	297,587	2,164,682	1,074	157,315	68,541	353,746	–	278,464	(352,867)	(262,310)	7,625	2,713,857	74,386	2,788,243

(a) Amount subscribed for share capital in excess of nominal value.

(b) The Company's contributed surplus represents the credit arising from the effect of share premium offset against accumulated losses in 2006.

(c) The special capital reserve represents the credit arising from the effect of reduction in share capital in previous years.

(d) Other reserve arose from the difference between fair value of any consideration and the carrying amount of relevant net assets for transactions with non-controlling interests in previous years.

The notes on pages 110 to 215 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December	
		2019	2018
	Notes	**HK$'000**	HK$'000
Cash flows from operating activities			
Loss before income tax		**(1,082,071)**	(658,465)
Adjustments for:			
Interest income		**(4,938)**	(11,862)
Dividend income		**–**	(3,555)
Finance costs	*12*	**771,034**	805,072
Depreciation of property, plant and equipment		**54,833**	33,961
Amortisation of land use rights		**–**	21,351
Change in fair value of investment properties	*17*	**12,560**	(1,705)
Share of results of an associate		**18,916**	48,498
Impairment of properties under development and completed properties held-for-sale		**–**	70,012
Loss on disposal of property, plant and equipment		**188**	1,215
Gain on disposal of investment in an associate		**–**	(3,739)
Gain on disposal of subsidiaries		**–**	(17,363)
Exchange gain		**(2,122)**	(20,594)
Net impairment losses on financial assets		**102,669**	56,963
Loss on settlement of arbitration		**–**	62,858
Operating (loss)/gain before working capital changes		**(128,931)**	382,647
(Increase)/decrease in properties under development and completed properties held-for-sale		**(25,740)**	3,039,110
Decrease/(increase) in inventories		**417**	(814)
Decrease/(increase) in trade and other receivables		**224,285**	(191,979)
Decrease in pledged bank deposits		**21,992**	–
(Increase)/decrease in contract assets		**(7,090)**	16,996
Decrease/(increase) in deposits for properties under development		**8,993**	(3,645)
(Decrease)/increase in trade and other payables		**(524,191)**	1,514,360
Increase/(decrease) in contract liabilities		**1,465,348**	(1,795,519)
Cash generated from operations		**1,035,083**	2,961,156
Interest received		**4,938**	11,862
Interest paid		**(765,928)**	(997,530)
Income taxes paid		**(207,251)**	(644,228)
Net cash inflow from operating activities		**66,842**	1,331,260

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Investing activities		
Purchases of property, plant and equipment	**(3,713)**	(11,490)
Additions to investment properties	**(7,867)**	(4,577)
Purchases of financial assets at fair value through profit or loss	**(16,193)**	(13,366)
Proceeds from disposal of property, plant and equipment	**4,872**	1,573
Dividends received from financial assets at fair value through other comprehensive income	**3,403**	–
Decrease in amounts due from an associate	**–**	629,841
Net cash inflow on disposal of subsidiaries	**–**	248,876
Net proceeds on disposal of financial assets at fair value through profit or loss	**5,117**	7,805
Net proceeds on disposal of financial assets at fair value through other comprehensive income	**–**	31,931
Payment for the remaining consideration of a business combination in previous year	**–**	(113,895)
Net cash (outflow)/inflow from investing activities	**(14,381)**	776,698
Financing activities		
Increase/(decrease) in amounts due to minority owners of subsidiaries	**2,269**	(113,895)
Proceeds from borrowings and loans	**3,083,096**	3,054,480
Repayment of borrowings and loans	**(3,056,860)**	(5,224,210)
Increase in pledged bank deposits	**(357,363)**	(334,271)
Principal elements of lease payments	**(40,712)**	–
Net cash outflow from financing activities	**(369,570)**	(2,617,896)
Net decrease in cash and cash equivalents	**(317,109)**	(509,938)
Cash and cash equivalents at beginning of year	**843,049**	1,420,068
Effect of foreign exchange rate changes	**(15,789)**	(67,081)
Cash and cash equivalents at end of year	**510,151**	843,049

The notes on pages 110 to 215 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Shanghai Zendai Property Limited (the "Company") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is at Unit 6508, 65/F, Central Plaza,18 Harbour Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property development, property investment and provision of property management and hotel operation. The Company and all its subsidiaries are referred as the Group. The Group has operations mainly in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in HK dollars ("HK$"), unless otherwise stated.

These financial statements have been approved for issue by the Board of Directors (the "Board") on 26 March 2020.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and certain financial assets, which are carried at fair value.

2.1 Going concern consideration

The Group meets its day-to-day working capital requirements through its operation sales and bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's properties developed for sale; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in the performance of the Group's operations and the possible disposal of certain projects, show that the Group should be able to operate within the level of its current facilities. The directors of the Company are of the view that the Group has adequate financial resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings are set out in Note 27.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards, interpretation and annual improvements for the first time for their annual reporting period commencing 1 January 2019:

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 4. Most of the other amendments, interpretation and annual improvements listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards and revised conceptual framework not yet adopted

Certain new and amended standards and revised conceptual framework for financial reporting have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards and revised conceptual framework are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Principles of consolidation and equity accounting

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) *Equity accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Principles of consolidation and equity accounting *(Continued)*

(c) Equity accounting (Continued)

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables which are considered as part of the investments in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 3.10.

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Business combinations *(Continued)*

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company (the "Board") that makes strategic decisions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within "finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other gains/(losses)-net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3.7 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties and right-of-use assets recognised on lease contracts that meet the definition of investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Investment properties *(Continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income and increase the revaluation surplus within equity. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and changed directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

For an investment property becomes to redevelop with a view to sale, it is reclassified as inventory, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of inventories becomes an investment property that will be carried at fair value is consistent with the treatment of sales of inventories. Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

3.8 Land use rights

Land in China mainland is state-owned and no individual land ownership right exists. The Group acquired the rights to certain land, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the land.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Land use rights *(Continued)*

For properties that are held for own use, corresponding land use rights are accounted for as part of property, plant and equipment in the balance sheet, and are stated at cost and amortised over the use terms of 40 to 70 years using the straight-line method. Land use rights were separately stated in the balance sheet in previous years.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.14.

3.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

– Hotel Buildings	Lower of underlying land lease term or 50 years
– Motor vehicles	5 years
– Leasehold improvements	5 years
– Furniture and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognised within "other gains/(losses)-net", in the consolidated income statement.

When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Impairment of non-financial assets

Property, plant and equipment, and land use right are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Property, plant and equipment, and land use right that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.11 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable (e.g. have committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated and where applicable, the required shareholders' approval for the related disposal could certainly be obtained). They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred income tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of disposal group is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets

3.12.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3.12.2 Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.12.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.3 Measurement *(Continued)*

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.3 Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other gains when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3.12.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3.12.5 Dividend income

Dividends are received from financial assets measured at FVPL and FVOCI. Dividends are recognised as other gains in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3.14 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development costs of properties comprises land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held-for-sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

(b) Completed properties held-for-sale

Completed properties held-for-sale are completed properties remaining unsold at the balance sheet date and are stated at the lower of cost and net realisable values. Cost comprises development costs attributable to the unsold properties. Net realisable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Inventories *(Continued)*

(c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

3.16 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months (or in the normal operating cycle of the business if longer) after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.19 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The deferred income tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Current and deferred income tax *(Continued)*

(b) *Deferred income tax (Continued)*

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.21 Employee benefits

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) *Pension obligations*

The Group has only defined contribution pension plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Employee benefits *(Continued)*

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.22 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specified period of time).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Share-based payments *(Continued)*

(a) Equity-settled share-based payment transactions (Continued)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

In the subsidiaries' financial statements, the award is treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting period, with a credit recognised in equity. The credit to equity is treated as a capital contribution, as the parent is compensating the subsidiaries' employees with no cost to the subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.24 Revenue recognition *(Continued)*

(a) Sale of properties

Revenues are recognised when or as the control of the property is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(b) Rental income

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

(c) Property management

Revenue from provison of services is recognised in the accounting period in which the services are rendered.

(d) Property management and agency fee income

Property management and agency fee income is recognised in the accounting period in which the services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other gains.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other gains.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.26 Leases

As mentioned in Note 3.1(a) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 4.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.26 Leases *(Continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.26 Leases *(Continued)*

Right-of-use assets are initially measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Certain right-of-use assets meet the definition of investment property and are measured at fair value subsequently. The rest of right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of building and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3.27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.27 Earnings per share *(Continued)*

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.29 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.30 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in Note 3.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 3.26.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases of office premises and retail properties (the "leased properties") which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 9%. In addition, the land use rights for hotel buildings as owned by the Group also meets the definition of right-of-use assets under HKFRS 16. Accordingly, the land use rights have been reclassified as right-of-use assets and included in property, plant and equipment starting from 1 January 2019 (Notes 16 and 18).

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients (if applicable) permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities in connection with leased properties

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	131,175
Discounted using the lessee's incremental borrowing rate of 9% at the date of initial application and lease liability recognised as at 1 January 2019	119,032
Of which are:	
Current lease liabilities	17,651
Non-current lease liabilities	101,381
	119,032

4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(iii) Measurement of right-of-use assets in connection with leased properties

Right-of-use assets were initially measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the consolidated balance sheet on 1 January 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- property, plant and equipment – increase by HK$477,705,000
- land use right – decrease by HK$470,810,000
- investment properties – increase by HK$112,137,000
- lease liabilities – increase by HK$119,032,000

The adoption of HKFRS 16 has no impact on the Group's accumulated losses as at 1 January 2019.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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

5.1 Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 17.

(b) Income taxes and land appreciation tax ("LAT")

The Group is primarily subject to various taxes in the PRC, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

(c) Provision for properties under development and completed properties held-for-sales

The Group assesses the recoverable amounts of properties under development and completed properties held-for-sales according to their forecast net realisable value, taking into account costs to completion based on budget and past experience and net sales value based on prevailing and expected market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of estimation.

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

5.2 Critical accounting judgements

(a) Revenue recognition

The Group develops and sells residential and commercial properties in the PRC. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local regulations and obtained legal advice, when necessary.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Judgement and estimation are required in determining the completeness and accuracy of the budgets and the extent of the costs incurred and the allocation of cost to that property unit. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimation, the Group relies on past experience and work of contractors and surveyors.

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 6.1(b).

6. FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Policy for managing these risks is set by the Board and summarised below.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when individual company enters into transactions denominated in a currency other than their functional currency.

The Company and its certain subsidiaries undertake certain transactions denominated in United States dollars ("USD"). The functional currency of these companies are HK$. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to USD, management considers that there is no significant foreign exchange risk with respect to USD.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's cash flow interest rate risk arises from borrowings with prevailing floating market interest rates. Such risk is partly offset by cash held at prevailing market interest rates.

The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Group currently does not utilise any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2019, if interest rates on floating rate borrowings have increased/decreased by 50 basis points with all other variables held constant, the Group's interest expense would increase/decrease by approximately HK$7,613,000 (2018: HK$10,176,000).

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost and at fair value through profit or loss, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge the obligation under the terms of financial instrument and cause a financial loss to the Group. The Group considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there's a significant increase in credit risk, the Group compares the risk of a default occurring on the asset at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(i) Risk management

To manage such exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assesses the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts.

The recoverability of other receivables is assessed taking into account of the financial position of the counterparties, past experiences and other factors.

For banks and financial institutions, all counterparties are with appropriate credit rankings.

The Group has provided guarantees to banks in favour of certain customers to secure their repayment obligations to banks, for their purchases of property units (Note 34). If a customer defaults on the payment of its mortgage during the term of the guarantee, banks holding the mortgage may demand the Group to repay the outstanding amount together with any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to banks. The directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of properties and from the provision of property management services
- contract assets relating to sales of properties
- other receivables carried at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rate of contract assets is assessed to be low and no loss allowance provision is made for contract assets during the period.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

On that basis, the loss allowance as at 31 December 2019 and 2018 was determined as follows for both trade receivables and contract assets:

31 December 2019	Current	Less than 3 months	3-12 months	More than 1 year	Total HK$'000
Expected loss rate	–	1%	2%-5%	5%-15%	–
Gross carrying amount – trade receivables	39,593	1,633	822	5,405	47,453
Gross carrying amount – contract assets	18,242	–	–	–	18,242
Loss allowance	–	16	41	794	851

31 December 2018	Current	Less than 3 months	3-12 months	More than 1 year	Total HK$'000
Expected loss rate	–	1%	2%-5%	5%-15%	–
Gross carrying amount – trade receivables	39,116	1,243	984	2,528	43,871
Gross carrying amount – contract assets	11,455	–	–	–	11,455
Loss allowance	–	12	49	363	424

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses on financial assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables

The Group uses three categories approach for other receivables, including amounts due from an associate, which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses
Stage three	Receivables for which there is a credit loss since initial recognition	Lifetime expected losses

The Company accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

For certain other receivables amounting to HK$180,163,000 as at 31 December 2019, the impairment was determined individually, an allowance amounting to HK$86,008,000 was made on these receivables during the year and the accumulated allowance as at 31 December 2019 is HK$129,680,000. The loss allowance recognised for the remaining amount of other receivables was limited to 12 months expected losses since their credit risk has not significantly increased after initial recognition.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables *(Continued)*

As at 31 December 2019 and 2018, the loss allowance was determined as follows for the remaining amount of other receivables:

31 December 2019	**Due from an associate HK$'000**	**Receivables from third parties (a) HK$'000**	**Total HK$'000**
Carrying amount of other receivables	**322,997**	**147,366**	**470,363**
Expected credit loss rate	**21%**	**1%**	
Loss allowance	**(67,814)**	**(1,674)**	**(69,488)**
Other receivables,net	**255,183**	**145,692**	**400,875**

(a) Other receivables amounting to HK$147,366,000 mainly includes deposits and utilities payments on behalf of contractors under daily operation activities and the associated expected credit loss were considered as low.

31 December 2018	Due from an associate HK$'000	Receivables from third parties HK$'000	Total HK$'000
Carrying amount of other receivables	311,143	285,503	596,646
Expected credit loss rate	17%	1%	
Loss allowance	(53,684)	(2,855)	(56,539)
Other receivables,net	257,459	282,648	540,107

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for other receivables during the year ended 31 December 2019 (2018: Nil).

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(iii) Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments of HK$24,049,000 (2018: HK$13,366,000).

(iv) Financial guarantee

The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by finance department of the Group. The finance department of the Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecast process takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities. The amouts disclosed into the table are the constractual undiscounted cash flow.

Contractual maturities of financial liabilities	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual cash flows HK$'000	Carrying amount liabilities HK$'000
At 31 December 2019						
Trade and other payables (excluding other taxes and payroll payables)	**2,397,190**	**6,320**	**812**	**204**	**2,404,526**	**2,403,045**
Borrowings and loans	**5,739,477**	**1,516,319**	**1,803,130**	**628,434**	**9,687,360**	**7,914,462**
Amounts due to minority owners of subsidiaries	**112,857**	**–**	**–**	**–**	**112,857**	**112,857**
Lease liabilities	**43,880**	**27,123**	**48,805**	**15,116**	**134,924**	**112,310**
	8,293,404	**1,549,762**	**1,852,747**	**643,754**	**12,339,667**	**10,542,674**

In addition to the non-derivative financial liabilities as disclosed above, the Group also has provided financial guarantees in respect of the mortgage facilities for certain purchasers of Group's properties with guaranteed amounts of HK$596,772,000 as at 31 December 2019 (2018: HK$988,658,000), details of which have been set out in Note 34.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

Contractual maturities of financial liabilities	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual cash flows HK$'000	Carrying amount liabilities HK$'000
At 31 December 2018						
Trade and other payables (excluding other taxes and payroll payables)	3,312,213	13,843	6,874	493	3,333,423	3,331,539
Borrowings and loans	3,739,490	1,834,525	2,534,909	421,038	8,529,962	6,968,786
Amounts due to minority owners of subsidiaries	604,074	–	–	–	604,074	570,966
	7,655,777	1,848,368	2,541,783	421,531	12,467,459	10,871,291

6.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. The ratio is calculated as net debt divided by equity attributable to owners of the Company (as shown in the consolidated balances sheet). For this purpose, the Group defines net debt as total debt (which comprises borrowings and loans, amounts due to minority owners of subsidiaries and lease liabilities) less cash and cash equivalents and pledged bank deposits.

In order to maintain or adjust the appropriate ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's overall strategy remains unchanged from prior year.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.2 Capital risk management *(Continued)*

The gearing ratio at 31 December 2019 and 2018 was calculated as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Borrowings and loans	**7,914,462**	6,968,786
Amounts due to minority owners of subsidiaries	**112,857**	570,966
Lease liabilities	**112,310**	–
Total debt	**8,139,629**	7,539,752
Less: Cash and cash equivalents	**(510,151)**	(843,049)
Restricted bank deposits	**(1,445,051)**	(1,134,638)
Net debt	**6,184,427**	5,562,065
Equity attributable to owners of the Company	**1,609,413**	2,713,857
Gearing ratio	**384%**	205%

The increase in the gearing ratio during 2019 is primarily resulted from the increase in net debt and also the decrease in the equity attributable to owners of the Company as a result of the net loss for the current year.

6.3 Fair value estimation

The table below analyses the Group's financial instruments and investment properties carried at fair value, as at 31 December 2019 and 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within investment properties that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.3 Fair value estimation *(Continued)*

See Note 17 for detailed disclosures of the investment properties that are measured at fair value.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
As at 31 December 2019				
Investment properties	**–**	**91,722**	**3,158,780**	**3,250,502**
Financial assets at FVOCI	**–**	**–**	**37,304**	**37,304**
Financial assets at FVPL	**24,049**	**–**	**–**	**24,049**
	24,049	**91,722**	**3,196,084**	**3,311,855**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
As at 31 December 2018				
Investment properties	–	93,394	3,086,674	3,180,068
Financial assets at FVOCI	–	–	37,984	37,984
Financial assets at FVPL	13,366	–	–	13,366
	13,366	93,394	3,124,658	3,231,418

There were no transfers among Level 1, Level 2 and Level 3 during the year.

7. SEGMENT REPORTING

Management has determined the operating segments based on the internal reports reviewed by the Board, being the major body in making operation decisions, for assessing the operating performance and resources allocation.

The Board considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently mainly organised into three operating segments which comprise (i) sales of properties; (ii) hotel operations; and (iii) properties rental, management and agency services.

The Board assesses the performance of the operating segments based on a measure of adjusted profit or loss before income tax. Certain income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the Board for assessment of segment performance.

Total segment assets mainly exclude pledged bank deposits and head office and corporate assets, all of which are managed on a centralised basis.

Total segment liabilities mainly exclude unallocated borrowings and loans and unallocated head office and corporate liabilities, all of which are managed on a centralised basis.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

7. SEGMENT REPORTING *(Continued)*

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss before income tax and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Reportable segment revenue	**846,060**	6,684,554	**133,982**	159,846	**401,420**	359,411	**1,381,462**	7,203,811
Reportable segment revenue from internal sales	**–**	–	**–**	–	**(32,870)**	(31,774)	**(32,870)**	(31,774)
Reportable segment revenue from external sales *(i)*	**846,060**	6,684,554	**133,982**	159,846	**368,550**	327,637	**1,348,592**	7,172,037
Reportable segment (loss)/profit before income tax	**(340,285)**	152,354	**(15,136)**	(20,731)	**97,397**	77,481	**(258,024)**	209,104
Other information (items included in determining the reportable segment (loss)/profit):								
Bank interest income	**3,454**	10,774	**29**	54	**1,380**	926	**4,863**	11,754
Depreciation of property, plant and equipment (including land use rights)	**9,648**	3,102	**44,196**	29,709	**989**	1,150	**54,833**	33,961
Amortisation of land use rights	**–**	–	**–**	21,351	**–**	–	**–**	21,351
Change in fair value of investment properties	**–**	–	**–**	–	**(12,560)**	1,705	**(12,560)**	1,705
Share of results of an associate	**–**	–	**(18,916)**	(48,498)	**–**	–	**(18,916)**	(48,498)
Loss on sale of property, plant and equipment	**(3)**	(1,132)	**(185)**	(83)	**–**	–	**(188)**	(1,215)
Gain on disposal of subsidiaries	**–**	17,363	**–**	–	**–**	–	**–**	17,363
Reportable segment assets	**11,964,388**	12,618,389	**986,956**	992,017	**3,726,213**	3,654,002	**16,677,557**	17,264,408
Amounts included in the measure of segment assets:								
Additions to non-current assets *(ii)*	**6,808**	45,781	**455**	539	**25,130**	5,041	**32,393**	51,361
Investment in an associate	**–**	–	**–**	18,994	**–**	–	**–**	18,994
Reportable segment liabilities	**13,221,327**	12,595,202	**64,454**	85,299	**773,197**	606,129	**14,058,978**	13,286,630

7. SEGMENT REPORTING *(Continued)*

(a) Information about reportable segment revenue, profit or loss before income tax and other information *(Continued)*

(i) For the year ended 31 December 2019, revenue from sales of properties of HK$648,328,000 (2018: HK$6,215,306,000) was recognised at a point in time and the remaining of HK$197,732,000 (2018: HK$469,248,000) was recognised over time. The revenue from hotel operations, management and agency services of HK$329,661,000 (2018: HK$318,061,000) were recognised over time. Rental income of HK$172,871,000 (2018: HK$169,422,000) was recognised on a straight-line basis over the term of respective leases.

(ii) Amounts comprise additions to investment properties, property, plant and equipment and land use rights.

(b) Reconciliation of reportable segment (loss)/profit before income tax, assets and liabilities

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Reportable segment (loss)/profit before income tax	**(258,024)**	209,104
Unallocated bank interest income	**75**	108
Dividend income from financial assets at FVOCI	**–**	3,555
Finance costs	**(771,034)**	(805,072)
Unallocated head office and corporate expenses	**(53,088)**	(66,160)
Loss before income tax	**(1,082,071)**	(658,465)

	As at 31 December	
Assets	**2019**	2018
	HK$'000	HK$'000
Reportable segment assets	**16,677,557**	17,264,408
Pledged bank deposits	**1,445,051**	1,134,638
Head office and corporate assets	**30,667**	69,001
Total assets	**18,153,275**	18,468,047

7. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment (loss)/profit before income tax, assets and liabilities *(Continued)*

Liabilities	As at 31 December 2019 HK$'000	2018 HK$'000
Reportable segment liabilities	**14,058,978**	13,286,630
Unallocated borrowings and loans	**2,110,019**	2,250,272
Unallocated head office and corporate liabilities	**313,722**	142,902
Total liabilities	**16,482,719**	15,679,804

(c) Geographical information

The Group's revenue are all derived from operations conducted in the PRC and the majority of the Group's non-current assets (other than financial instruments and deferred income tax assets) are located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the years ended 31 December 2019 and 2018.

(d) Contract liabilities

	As at 31 December 2019 HK$'000	2018 HK$'000
Receipts in advance from purchasers of properties under development and completed properties	**4,665,769**	3,279,438

Out of the contract liabilities as at 31 December 2018, amounts of HK$223,828,000 (2018: HK$4,718,120,000) have been recognised as revenue of the Group during the year ended 31 December 2019.

8. REVENUE

Revenue representing the aggregate of proceeds from sales of properties and amounts received and receivable from the hotel operations, properties rental, management and agency income is summarised as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Sales of properties	**846,060**	6,684,554
Hotel operations	**133,982**	159,846
Properties rental, management and agency income	**368,550**	327,637
	1,348,592	7,172,037

9. OTHER INCOME AND GAINS/(LOSSES) – NET

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Bank interest income	**4,938**	11,862
Gains on early termination of lease agreement	**3,349**	2,674
Rental income *(a)*	**2,847**	6,770
Government grants	**1,920**	498
Gain on disposal of subsidiaries	**–**	17,363
Loss on settlement of arbitration *(b)*	**–**	(62,858)
Gain on disposal of an associate	**–**	3,739
Dividend income from financial assets at FVOCI	**–**	3,555
(Losses)/gains on disposal of property, plant and equipment	**(188)**	(1,215)
Others	**5,347**	(6,426)
Total	**18,213**	(24,038)

(a) Rental income was derived from leases of certain retail properties included in properties for sales, which the Group intends to sell.

(b) On 5 September 2018, the Group entered into an agreement with third parties to settle the arbitration in relation to the disposal of certain projects in prior years (the "Disposal"). Accordingly, a net loss amounted to HK$62,858,000 was recognised to reflect the waiver of consideration receivables of HK$123,122,000 offset by the reversal of certain liabilities in connection with the Disposal of HK$60,264,000, which have been eliminated in accordance with the settlement.

10. EXPENSES BY NATURE

Expenses by nature comprise cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Cost of properties sold	**803,286**	5,983,546
Cost of rendering property management service and others	**182,691**	207,224
Tax and levies	**44,618**	99,675
Impairment of properties under development and completed properties held-for-sale	**–**	70,012
Employee benefit expense *(Note 11)*	**237,223**	200,451
Auditors' remuneration:		
– Audit services	**2,880**	2,880
– Non-audit services	**300**	300
Consulting and service expenses	**53,272**	50,198
Depreciation and amortisation charge *(Notes 16 and 18)*	**54,833**	55,312
Advertising costs	**63,973**	102,136
Leasing expenses	**4,896**	9,155
Maintenance and consumption expenses for hotel operations	**55,527**	76,713
Other expenses	**40,198**	40,034
Total	**1,543,697**	6,897,636

11. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Salaries, wages and bonuses	**236,669**	198,305
Pension costs – defined contribution plans	**47,463**	39,770
	284,132	238,075
Less: capitalised in properties under development	**(46,909)**	(37,624)
Total	**237,223**	200,451

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2018: 2) director whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining 3 (2018:3) individuals during the year are as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Salaries and other bonuses	**12,336**	11,958
Contribution to retirement benefits schemes	**285**	342
Total	**12,621**	12,300

11. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
HK$3,000,001 – HK$3,500,000	**2**	–
HK$4,000,001 – HK$4,500,000	**–**	2
HK$5,000,001 – HK$5,500,000	**–**	1
HK$5,500,001 – HK$6,000,000	**1**	–

(b) Retirement benefit schemes

The Group operates a mandatory provident fund (the "MPF") scheme for all eligible employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost charged to profit or loss represents contributions payable to the MPF scheme by the Group at rates specified in rules of the MPF scheme.

The Group contributes to a local municipal government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The retirement benefit scheme contributions arising from the PRC municipal government retirement scheme charged to profit or loss represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

12. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Interest expenses:		
– Bank borrowings	**243,362**	361,100
– Other borrowings	**643,802**	681,347
Interest and finance charges paid/payable for lease liabilities	**11,603**	–
	898,767	1,042,447
Less: amounts capitalised in properties under development at a capitalisation rate of 8.0% (2018: 6.7%) per annum	**(127,733)**	(237,375)
Finance costs - net	**771,034**	805,072

13. INCOME TAX (CREDIT)/EXPENSE

The amount of income tax in the consolidated income statement represents:

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Current income tax:		
– PRC enterprise income tax	**8,399**	250,883
– PRC land appreciation tax ("LAT")	**(7,368)**	205,491
Deferred income tax credit *(Note 30)*	**(21,704)**	(134,663)
Income tax (credit)/expense	**(20,673)**	321,711

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2019 and 2018.

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

PRC Enterprise Income Tax

The PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2018: 25%) during the year ended 31 December 2019.

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures, with an exemption provided for property sales of ordinary residential properties (普通標準住房) if their appreciation values do not exceed 20% of the sum of total deductible items. Certain property development projects are subjected to LAT which is calculated based on deemed levying rates of their revenue under the approved taxation method if the specific circumstances as approved by the local tax authority are met and the companies have been de-registered or the approval has exceeded three years whichever is earlier.

The tax (credit)/expense for the year can be reconciled to the loss before income tax per the consolidated income statement as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Loss before income tax	**(1,082,071)**	(658,465)
Tax calculated at domestic rates applicable in countries concerned	**(229,982)**	(116,405)
Tax effect of share of results of an associate	**4,729**	12,124
Effect of higher tax rate for LAT in the PRC	**7,543**	154,118
Tax effect of expenses not deductible for tax purposes	**57,929**	186,524
Tax effect of tax losses not recognised	**164,378**	105,247
Utilisation of tax losses previously not recognised as deferred income tax assets	**(6,934)**	(38,537)
Changes in deferred income tax liabilities in respect of withholding tax on unremitted earnings of subsidiaries	**(13,523)**	12,233
(Over)/under provision in respect of prior years	**(4,813)**	6,407
Income tax (credit)/expense	**(20,673)**	321,711

14. DIVIDENDS

No dividend was proposed for the years ended 31 December 2019 and 2018.

15. LOSS PER SHARE

Basic loss per share

The calculations of the basic loss per share attributable to owners of the Company are as below:

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Loss		
Loss attributable to owners of the Company	**(1,058,026)**	(905,485)
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	**14,879,352**	14,879,352
	HK$ cents	HK$ cents
Basic loss per share	**(7.11)**	(6.09)

Diluted loss per share

Since there was no dilutive ordinary shares during the years ended 31 December 2019 and 2018, diluted loss per share is equal to basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Hotel and buildings HK$'000	Right-of-use assets (including land use rights) HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2019						
Cost						
At 1 January 2019, as previously reported	779,761	–	16,664	13,177	90,839	900,441
Adjustment on adoption of HKFRS 16 *(Note 4)*	–	671,216	–	–	–	671,216
At 1 January 2019, as restated	779,761	671,216	16,664	13,177	90,839	1,571,657
Additions	–	–	867	632	2,214	3,713
Recognition of right-of-use assets	–	5,280	–	–	–	5,280
Disposals	–	–	(887)	–	(12,428)	(13,315)
Exchange differences	(13,432)	(11,889)	(134)	(178)	(1,831)	(27,464)
At 31 December 2019	766,329	664,607	16,510	13,631	78,794	1,539,871
Accumulated depreciation						
At 1 January 2019, as previously reported	220,756	–	14,630	8,558	60,788	304,732
Adjustment on adoption of HKFRS 16 *(Note 4)*	–	193,511	–	–	–	193,511
At 1 January 2019, as restated	220,756	193,511	14,630	8,558	60,788	498,243
Provided for the year	20,924	24,793	414	1,782	6,920	54,833
Disposals	–	–	(822)	–	(7,433)	(8,255)
Exchange differences	(4,241)	(3,746)	(110)	(139)	(1,390)	(9,626)
At 31 December 2019	237,439	214,558	14,112	10,201	58,885	535,195
Net book amount	528,890	450,049	2,398	3,430	19,909	1,004,676

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

	Hotel and buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2018					
Cost					
At 1 January 2018	775,196	21,900	13,199	91,251	901,546
Additions	29,277	–	1,696	9,794	40,767
Disposals	–	(4,790)	(1,175)	(8,124)	(14,089)
Disposal of subsidiaries	–	(504)	–	(476)	(980)
Transfer from held-to-sale	11,140	1,237	–	3,224	15,601
Exchange differences	(35,852)	(1,179)	(543)	(4,830)	(42,404)
At 31 December 2018	779,761	16,664	13,177	90,839	900,441
Accumulated depreciation					
At 1 January 2018	199,088	19,620	4,869	61,199	284,776
Provided for the year	22,721	307	4,004	6,929	33,961
Disposals	–	(5,055)	–	(6,246)	(11,301)
Disposal of subsidiaries	–	(479)	–	(402)	(881)
Transfer from held-to-sale	5,745	1,173	–	2,851	9,769
Exchange differences	(6,798)	(936)	(315)	(3,543)	(11,592)
At 31 December 2018	220,756	14,630	8,558	60,788	304,732
Net book amount	559,005	2,034	4,619	30,051	595,709

As at 31 December 2019, land use right (as included in right-of-use assets) and certain of the remaining property, plant and equipment with net book value of HK$442,229,000 (2018:HK$454,452,000 as presented as land use rights in Note 18) and HK$509,503,000 (2018: HK$541,688,000) respectively are pledged as collateral for the Group's borrowings and loans (Note 27).

17. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
At fair value		
At 1 January	**3,180,068**	3,326,492
Adjustment on adoption of HKFRS 16 *(Notes (a) and 4)*	**112,137**	–
Opening balance at 1 January	**3,292,205**	3,326,492
Exchange differences	**(52,543)**	(152,891)
Additions *(a)*	**23,400**	4,762
Net changes from fair value adjustment	**(12,560)**	1,705
Closing balance at 31 December	**3,250,502**	3,180,068

(a) The Group has leased certain retail stores and apartments from individuals for the sole purpose to sub-lease out for rental income (the "Sub-lease Arrangements"). These leased properties have been classified as right-of-use assets in accordance with HKFRS 16 and have been included as investment properties of the Group. Upon the adoption of HKFRS 16, the right-of-use assets as at 1 January 2019 as recognised for these leased properties amounted to approximately HK$112,137,000. Additions to investment properties for the year ended 31 December 2019 included the right-of-use assets as recognised for the leased properties of approximately HK$15,533,000. As at 31 December 2019, the carrying amounts of the properties under the Sub-lease Arrangements amounted to HK$97,258,000.

(b) Amounts recognised in profit and loss for investment properties

	Year ended 31 December	
	2019 HK$'000	2018 HK$'000
Rental income	**172,871**	128,725
Direct operating expenses (including lease costs incurred under the Sub-lease Arrangements) from property that generated rental income	**(45,841)**	(34,666)
Direct operating expenses from property that did not generate rental income	**(45,557)**	(15,375)
	81,473	78,684

17. INVESTMENT PROPERTIES *(Continued)*

(b) Amounts recognised in profit and loss for investment properties *(Continued)*

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured deferred income tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(c) Valuation basis

An independent valuation of the Group's investment properties was performed by the valuer, Cushman & Wakefield ("C&W"), to determine the fair value of the investment properties as at 31 December 2019. The revaluation gains or losses is included in "Change in fair value of investment properties" in consolidated income statement. The following table summarised the fair values of investment properties analysed by fair value hierarchy levels:

	Fair value measurements at 31 December 2019			
Description	**Quoted prices in active markets for identical assets (Level 1) HK$'000**	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurements				
Investment properties:				
– Shopping malls – Shanghai	–	–	1,216,443	1,216,443
– Car Parking Area– Shanghai	–	91,722	–	91,722
– Shopping malls – Yangzhou	–	–	293,624	293,624
– Shopping malls – Qingdao	–	–	1,016,779	1,016,779
– Shopping malls – Nantong	–	–	534,676	534,676
– Leased properties classified as right-of-use assets – Shanghai, Qingdao and Nanjing	–	–	97,258	97,258
	–	91,722	3,158,780	3,250,502

17. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Description	Fair value measurements at 31 December 2018 Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurements				
Investment properties:				
– Shopping malls – Shanghai	–	–	1,224,943	1,224,943
– Car Parking Area– Shanghai	–	93,394	–	93,394
– Shopping malls – Yangzhou	–	–	296,811	296,811
– Shopping malls – Qingdao	–	–	1,026,196	1,026,196
– Shopping malls – Nantong	–	–	538,724	538,724
	–	93,394	3,086,674	3,180,068

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers among Levels 1, 2 and 3 during the years ended 31 December 2019 and 2018.

17. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2019					
	Shopping malls				Leased properties classified as right-of-use assets	Total
	Shanghai HK$'000	Yangzhou HK$'000	Qingdao HK$'000	Nantong HK$'000	HK$'000	HK$'000
Closing balance at 31 December 2018	**1,224,943**	**296,811**	**1,026,196**	**538,724**	**–**	**3,086,674**
Adjustment on adoption of HKFRS 16 *(Note 4)*	**–**	**–**	**–**	**–**	**112,137**	**112,137**
Opening balance at 1 January 2019	**1,224,943**	**296,811**	**1,026,196**	**538,724**	**112,137**	**3,198,811**
Exchange differences	**(15,189)**	**(5,342)**	**(18,492)**	**(9,720)**	**(2,007)**	**(50,750)**
Addition	**612**	**–**	**7,255**	**–**	**15,533**	**23,400**
Net gains/(loss) from fair value adjustment	**6,077**	**2,155**	**1,820**	**5,672**	**(28,405)**	**(12,681)**
Closing balance at 31 December 2019	**1,216,443**	**293,624**	**1,016,779**	**534,676**	**97,258**	**3,158,780**

17. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Year ended 31 December 2018				
	Shopping malls				
	Shanghai HK$'000	Yangzhou HK$'000	Qingdao HK$'000	Nantong HK$'000	Total HK$'000
Opening balance at 1 January 2018	1,276,417	312,563	1,071,086	567,963	3,228,029
Exchange differences	(46,923)	(16,105)	(55,555)	(29,239)	(147,822)
Addition	–	–	4,762	–	4,762
Net (losses)/gains from fair value adjustment	(4,551)	353	5,903	–	1,705
Closing balance at 31 December 2018	1,224,943	296,811	1,026,196	538,724	3,086,674

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 and 2018 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Accountant. Discussions of valuation processes and results are held between the Chief Accountant, the valuation team and valuer at least once every year. As at 31 December 2019, the fair values of investment properties have been determined based on the valuation performance by C&W (except for leased properties in Nanjing and Qingdao).

17. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation processes of the Group (Continued)

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess properties/right-of-use assets valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the Chief Accountant and the valuation team.

Valuation techniques

For car parking area in Shanghai, the valuation was determined using the direct comparison approach which is based on market observable transactions of similar project.

For certain shopping malls in Shanghai, Qingdao and Nantong and the leased properties in Shanghai, Nanjing and Qingdao, the valuation was determined using the income approach. For shopping malls in Yangzhou, and the remaining shopping malls in Shanghai and Nantong, the valuation was determined using a combination of income approach and direct comparison approach (50% each). Rental prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The valuation was based on significant unobservable inputs. These inputs are summarised as the following tables.

17. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 – Shopping malls in Shanghai Zendai Thumb Plaza located in Pudong, Shanghai	**Level 3**	**Income Capitalisation Approach** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, 4.0% – 5.5% (2018: 4.0% – 5.5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB130/sq.m – RMB349/sq.m. (2018: RMB127/sq.m – RMB338/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 4.5% – 6%. (2018: 4.5% – 6%).	The higher the reversionary yield, the lower the fair value.
Property 2 – Car parking area in Shanghai Zendai Thumb Plaza	**Level 2**	**Direct Comparison Method** The key inputs are based on market observable transactions of similar properties	N/A	N/A

17. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 3 – Shopping malls in Zendai Xizhen Thumb Plaza located in Qingpu, Shanghai	**Level 3**	**Income Capitalisation Approach and Direct Comparison Method** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3% – 4% (2018: 3% – 4%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB43/sq.m – RMB72/sq.m. (2018: RMB43/sq.m – RMB72/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 4% – 5% (2018: 4% – 5%).	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB10,456/sq.m (2018:RMB10,082/sq.m.) for the base level.	The higher the price, the higher the fair value.

17. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 4 – Shopping malls in 揚州証大教場 located in Yangzhou City	**Level 3**	**Income Capitalisation Approach and Direct Comparison Method** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 5% (2018: 5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB131/sq.m. (2018: RMB131/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 5.5% (2018: 5.5%).	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB21,100/sq.m. (2018: RMB20,800/sq.m.) for the base level.	The higher the price, the higher the fair value.

17. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 5 – Shopping malls of Qingdao Zendai Thumb Plaza located in Qingdao City	**Level 3**	**Income Capitalisation Approach** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, range from 5.5% – 6.5% (2018: 5.5% – 6.5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB71/sq.m. – RMB237/sq.m. (2018: RMB71/sq.m. – RMB237/sq.m.)	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties range from 6% – 7% (2018: 6% – 7%).	The higher the reversionary yield, the lower the fair value.

17. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 6– Shopping malls in 南通壹城壹期 located in Nantong City	**Level 3**	**Income Capitalisation Apporoach or Income Capitalisation Approach and Direct Comparison Method**	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of from 4.0% – 5.5% (2018: 4.0% – 5.5%).	The higher the capitalisation rate, the lower the fair value.
		The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB61/sq.m. – RMB112/sq.m. (2018: RMB59/sq.m. – RMB108/sq.m.).	The higher the monthly rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of from 4.5% – 6% (2018: 4.5% – 6%).	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB16,900/sq.m. (2018: RMB16,400/sq.m.) for the base level.	The higher the price, the higher the fair value.

17. INVESTMENT PROPERTIES *(Continued)*

(c) Valuation basis *(Continued)*

Valuation techniques (Continued)

Properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Properties 7– Leased properties in Shanghai classified as right-of-use assets	**Level 3**	**Income Capitalisation Apporoach** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 7.5%.	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB374/ sq.m. – RMB623/sq.m..	The higher the monthly rent, the higher the fair value.

(d) Non-current assets pledged as security

As at 31 December 2019 and 2018, investment properties of the Group with fair values of HK$2,178,353,000 and HK$2,680,346,000, respectively, were pledged as collateral for the Group's borrowings and loans (Note 27).

18. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments in the PRC which are held on leases of 40 years or less. The movement is as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**470,810**	517,999
Reclassification upon adoption of HKFRS 16 (Note 4)	**(470,810)**	–
Amortisation charge	**–**	(21,351)
Exchange differences	**–**	(25,838)
At 31 December	**–**	470,810

19. INVESTMENT IN SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2019:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests Directly held	Percentage of ownership interests Indirectly held
Shanghai Zendai Real Estate Co., Ltd. 上海証大置業有限公司	The PRC, limited liability company	Property development and rental in the PRC	RMB 820,000,000	–	100%
Shanghai Zendai Delta Land Company Limited 上海証大三角洲置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 400,000,000	–	100%
Shanghai Zendai Himalayas Hotel Management Co., Ltd. 上海証大喜瑪拉雅酒店管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 1,000,000	–	100%
Qingdao Shenlan Deluxe Hotel Management Co., Ltd. 青島深藍複式酒店管理有限公司	The PRC, limited liability company	Property Management in the PRC	RMB 1,000,000	–	100%
Shanghai Zendai Xizhen Real Estate Development Co., Ltd. 上海証大西鎮置業發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 290,000,000	–	100%
Shanghai Zendai Xizhen Thumb Commercial Management Co., Ltd. 上海証大西鎮大拇指商業經營管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 1,000,000	–	100%
Shanghai Zendai Operation & Management Co., Ltd. 上海証大商業經營管理有限公司	The PRC, limited liability company	Properties rental, management and agency services in the PRC	RMB 20,000,000	–	100%

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests Directly held	Indirectly held
Shanghai Zendai Property Management Co., Ltd. 上海証大物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 5,000,000	–	100%
Qingdao Zendai Commercial Traveling and Investment Development Co., Ltd. 青島証大商業旅遊投資發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 600,000,000	–	100%
Shanghai Zendai Commercial Traveling and Investment Development Co., Ltd. 上海証大商業旅遊投資發展有限公司	The PRC, limited liability company	Hotel operation and properties rental in the PRC	RMB 200,000,000	–	100%
Shanghai Zendai Real Estate Brokerage Co., Ltd. 上海証大房地產經紀有限公司	The PRC, limited liability company	Property agency services in the PRC	RMB 2,000,000	–	100%
Qingdao Zendai Thumb Commercial Development Co., Ltd. 青島証大大拇指商業發展有限公司	The PRC, limited liability company	Property development in the PRC	USD12,000,000	–	100%
Jiangsu Junxin Building Material Co., Ltd. 江蘇駿信建材有限公司	The PRC, limited liability company	Property development in the PRC	RMB 5,000,000	–	100%
Yantai Zendai Thumb Real Estate Co., Ltd. 煙台証大大拇指置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 150,000,000	–	70%
Auto Win Investments Limited	British Virgin, limited company	Properties rental in the PRC	USD1	100%	–

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests Directly held	Indirectly held
Shanghai Zendai Nanjing Property Management Co., Ltd. 上海証大南京物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 1,000,000	–	100%
Nanjing Lifang Real Estate Co., Ltd. 南京立方置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 1,800,000,000	–	80%
Nanjing Wudaokou Real Estate Co., Ltd. 南京五道口置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 190,000,000	–	80%
Nanjing Zendai Delta Land Company Limited 南京証大三角洲置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 770,000,000	–	80%
Nantong Zendai Real Estate Co., Ltd. 南通証大置業有限公司	The PRC, limited liability company	Property development and investment in the PRC	RMB 100,000,000	–	100%
Nanjing Shuiqingmuhua Real Estate Co., Ltd. 南京水清木華置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 20,000,000	–	80%
Haimen Zendai Binjiang Real Estate Co., Ltd. 海門証大濱江置業有限公司	The PRC, limited liability company	Property development in the PRC	USD 49,600,000	–	100%
Haimen Zendai Creative Investment Development Co., Ltd. 海門市証大創意投資發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 3,800,000	–	100%
Haimen Zendai Binjiang Property Management Co., Ltd. 海門証大濱江物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB 500,000	–	100%

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests Directly held	Indirectly held
Nanjing Thumb Commercial Development Co., Ltd. 南京証大大拇指商業發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 1,200,000,000	–	82%
Hainan Huayi Real Estate Co., Ltd. 海南華意置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB 88,000,000	–	60%
Yangzhou Zendai Commercial Traveling and Investment Development Co., Ltd. 揚州証大商旅發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB 30,000,000	–	80%
Yangzhou Thumb Commercial Management Co., Ltd. 揚州大拇指商業經營管理有限公司	The PRC, limited liability company	Property rental in the PRC	RMB 500,000	–	100%

(a) 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.

(b) The total amount of non-controlling interest is HK$61,143,000 (2018: HK$74,386,000), which is considered as not material to the Group.

(c) As at 31 December 2019 and 2018, certain equity shares of the subsidiaries of the Group are pledged to secure certain borrowings and loans granted to the Group.

20. INTEREST IN AN ASSOCIATE

(a) Investment in an associate

	2019 **HK$'000**	2018 HK$'000
At 1 January	**18,994**	121,816
Share of loss	**(18,916)**	(48,498)
Disposal	**–**	(53,983)
Exchange differences	**(78)**	(341)
At 31 December	**–**	18,994

In March 2018, the Group has disposed of its entire equity interest in an associate, Langfang Zhenghetai Real Estate Co., Ltd. to a third party, resulting in a net gain on disposal of approximately HK$3,739,000. Subsequent to the aforesaid disposal, the Group only has interests in an associate and details of which are as below:

Name of entity	Place of business country of incorporation	Particulars of paid-in capital	Percentage of ownership interest	Principal operation
Shanghai Zendai Himalayas Company Ltd. ("Zendai Himalayas") 上海証大喜瑪拉雅有限公司	The PRC	Registered capital RMB633,630,000	45%	Hotel operation

(i) There were no contingent liabilities or capital commitments relating to the Group's investment in the associate. The Group has share the loss of the associate only up to the extent that the Group's interest in the associate was reduced to zero as the Group has not incurred any legal or constructive obligations to recognise additional losses. The unrecognised share of losses of the associate for the year ended 31 December 2019 amounted to approximately HK$57,159,000 and the cumulative unrecognised amounts up to 31 December 2019 were amounted to approximately HK$95,171,000.

20. INTEREST IN AN ASSOCIATE *(Continued)*

(a) Investment in an associate *(Continued)*

(ii) Summarised financial information for the associate

Set out below is the summarised financial information of Zendai Himalayas as at 31 December 2019 and 2018 and for the year ended. The information below reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Group's share of those amounts.

Summarised balance sheet	**As at 31 December**	
	2019	2018
	HK$'000	HK$'000
Current assets	**64,975**	40,230
Non-current assets	**3,762,945**	3,854,657
Current liabilities	**(680,119)**	(619,200)
Non-current liabilities	**(3,195,539)**	(3,154,543)
Net (liabilities)/assets	**(47,738)**	121,144
Included in the above amounts are:		
Cash and cash equivalents	**9,433**	11,704
Current financial liabilities (excluding trade and other payable)	**(415,008)**	(458,300)
Non-current financial liabilities (excluding other payable and provision)	**(2,843,518)**	(3,154,543)

Summarised statement of comprehensive income	**Year ended 31 December**	
	2019	2018
	HK$'000	HK$'000
Revenue	**327,995**	359,182
Losses from operations	**(169,056)**	(192,245)
Other comprehensive income/(loss)	**174**	(4,977)
Included in the above amounts are:		
Depreciation and amortisation	**(107,936)**	(112,758)
Interest income	**229**	1,662
Interest expense	**(178,567)**	(204,923)

20. INTEREST IN AN ASSOCIATE *(Continued)*

(b) Amounts due from an associate

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Amounts due from an associate	**322,997**	311,143
Less: provison for loss allowance	**(67,814)**	(53,684)
Amounts due from an associate – net	**255,183**	257,459
Less: non-current portion	**(244,797)**	(246,884)
Current portion	**10,386**	10,575

(i) As at 31 December 2019, amounts due from the associate are unsecured, interest-free and repayable on demand. Receivable amounts which are expected to be repaid by the associate in the coming year are classified as the current portion of the related receivables. During the year ended 31 December 2019, an impairment loss approximately HK$17,379,000 (2018: HK$53,684,000) was recognised based on the expected credit losses of the amounts due from the associate as determined by reference to the expected pattern of repayments from the associate.

(c) Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate

	2019	2018
	HK$'000	HK$'000
Opening net assets 1 January	**121,144**	518,303
Loss for the year	**(169,056)**	(192,245)
Disposal	**–**	(199,937)
Exchange differences	**174**	(4,977)
Closing net (liabilities)/assets	**(47,738)**	121,144
Group's share of net (liabilities)/assets of the associate *(i)*	**–**	18,994

(i) As mentioned in Note 20 (a) (i), the Group does not have any legal or constructive obligations to share further losses of the associate when the Group's interest in the associate was reduced to zero.

21. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Properties under development	**9,836,619**	9,178,477
Completed properties held-for-sale	**1,145,472**	1,822,483
	10,982,091	11,000,960

During the year ended 2018, impairment provision of HK$70,012,000 has been recognised in costs of sales which is mainly attributable to the change in estimated net realisable value of certain completed properties held-for-sale located in the PRC due to current market condition.

No additional impairment provision has been recognised for properties under development and completed properties held-for-sale during the year ended 31 December 2019. As at 31 Decemeber 2019, the accumulated impairment provision was HK$6,194,000 (2018: HK$86,937,000).

As at 31 December 2019, certain properties under development and completed properties held-for-sales with carrying amount of HK$2,476,444,000 (2018: HK$4,483,740,000) are pledged to banks to secure certain borrowings and loans granted to the Group (Note 27).

Properties under development and completed properties held-for-sales which are expected to be recovered in more than twelve months after the end of reporting period are classified under current assets as they are expected to be realised in the Group's normal operating cycle. The amounts of properties under development and completed properties held-for-sales that are expected by management to be realised after more than twelve months from the end of reporting period are HK$8,235,879,000 (2018: HK$10,549,607,000).

22. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Trade receivables	**47,453**	43,871
Less: provision for loss allowance	**(851)**	(424)
Trade receivables – net *(a)*	**46,602**	43,447
Other receivables *(b)*	**310,255**	317,406
Deposits	**17,274**	16,123
	327,529	333,529
Less: provision for loss allowance *(b)*	**(131,354)**	(50,881)
Other receivables – net	**196,175**	282,648
Prepayments for turnover tax	**101,359**	338,573
	344,136	664,668

As at 31 December 2019 and 2018, the majority of the Group's trade, other receivables and prepayments are dominated in RMB.

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis.

22. TRADE, OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

(a) The aging analysis of trade receivables based on the date of services provided at the end of reporting period is as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Within 3 months	**41,210**	40,347
More than 3 months but less than 12 months	**782**	935
More than 12 months	**4,610**	2,165
	46,602	43,447

Movements on the provision for loss allowance on trade receivables are as follows:

	2019	2018
	HK$'000	HK$'000
At 1 January	**(424)**	–
Provision for the year	**(428)**	(424)
Exchange differences	**1**	–
At 31 December	**(851)**	(424)

(b) As at 31 December 2019, other receivables included deposits for certain planned investments in land or real estate projects of RMB120,013,000 (equivalent to approximately HK$134,243,000) (2018: RMB120,013,000 (equivalent to approximately HK$136,689,000)) which were paid to third party companies in prior years. Due to the subsequent changes in investment plans in 2019, the Group had put efforts to recover the deposits paid but certain counterparties have defaulted or delinquency in their repayments. The Group has already taken legal actions to preserve the Group's rights to recover these receivable amounts. After assessing the financial position and repayment capabilities of the counterparties in concern, management has assessed that the cumulative expected credit losses on these receivable balances would amounted to approximately RMB77,078,000 (equivalent to approximately HK$87,430,000) (2018: RMB1,200,000 (equivalent to approximately HK$1,422,000)) and provision for loss allowance has been recognised accordingly.

22. TRADE, OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Movements on the provision for loss allowance on other receivables are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**(50,881)**	(48,026)
Provision for the year	**(84,862)**	(2,855)
Exchange differences	**4,389**	–
At 31 December	**(131,354)**	(50,881)

23. PLEDGED BANK DEPOSITS

	As at 31 December	
	2019 **HK$'000**	2018 HK$'000
Current portion	**895,094**	879,943
Non-current portion	**549,957**	254,695
	1,445,051	1,134,638

Certain pledged bank deposits represent deposits pledged to banks to secure certain borrowings and loans (Note 27) granted to the Group. The pledged bank deposits carry interest ranging from 0.30% to 2.00% (2018: 0.35% to 1.00%) per annum.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	As at 31 December	
	2019 **HK$'000**	2018 HK$'000
Cash on hand	**723**	1,372
Cash at bank	**509,428**	841,677
Cash and cash equivalents	**510,151**	843,049

As at 31 December 2019 and 2018, the Group had no bank overdrafts balance.

24. CASH AND CASH EQUIVALENTS *(Continued)*

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
RMB	**492,236**	807,131
USD	**1,609**	7,374
ZAR	**12,899**	20,544
HK$	**3,407**	8,000
Cash and cash equivalents	**510,151**	843,049

25. FINANCIAL ASSETS AT FAIR VALUE

Movements in financial assets at FVOCI and financial assets at FVPL are as below:

	FVOCI	**FVPL**
At 1 January 2018	64,061	7,805
Change in fair value	8,262	–
Acquisitions	–	13,366
Disposal	(34,339)	(7,805)
At 31 December 2018	37,984	13,366
At 1 January 2019	**37,984**	**13,366**
Acquisitions	**–**	**16,193**
Disposals	**–**	**(5,117)**
Exchange differences	**(680)**	**(393)**
At 31 December 2019	**37,304**	**24,049**

25. FINANCIAL ASSETS AT FAIR VALUE *(Continued)*

Details of FVPL are as below:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Equity interests *(a)*	**37,304**	37,984
Wealth management products as purchased from financial institutions	**24,049**	13,366
	61,353	51,350
Less: non-current portion *(a)*	**(37,304)**	(37,984)
Current portion	**24,049**	13,366

(a) The balance represents an equity investment in an unlisted entity established in the PRC and is classified under non-current assets.

(b) There are no material change in the fair value of the financial assets held by the Group during the year 2019.

26. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Trade payables *(a)*	**1,672,034**	2,240,884
Other payables and accruals *(b)*	**1,003,871**	1,460,323
	2,675,905	3,701,207
Less: non-current portions	**(5,855)**	(19,326)
	2,670,050	3,681,881

26. TRADE AND OTHER PAYABLES *(Continued)*

(a) The aging analysis of trade payables based on date of when the construction costs payable have been verified with the contractors is as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Within 3 months	**1,426,855**	1,896,445
More than 3 months but less than 12 months	**11,299**	3,360
More than 12 months	**150,278**	201,985
	1,588,432	2,101,790
Retention money	**83,602**	139,094
	1,672,034	2,240,884

The trade payables mainly represent accrued construction costs payable to contractors. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

(b) Other payables and accruals primarily comprise of turnover tax payable, interest payable and deposits of HK$247,965,000, HK$357,564,000 and HK$240,391,000 (2018: HK$360,151,000, HK$142,263,000 and HK$212,647,000) respectively.

27. BORROWINGS AND LOANS

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Secured		
Bank borrowings	**2,603,029**	1,598,057
Borrowings from other financial institutions	**4,045,214**	3,101,936
	6,648,243	4,699,993
Unsecured		
Bank borrowings	**–**	11,390
Borrowings from other financial institutions	**1,266,219**	1,687,927
Entrusted loans from a related party	**–**	569,476
	1,266,219	2,268,793
	7,914,462	6,968,786

At the end of reporting period, the borrowings and loans were repayable as follows:

Within one year	**4,909,250**	3,140,228
More than one year, but not exceeding two years	**1,201,073**	1,505,298
More than two years, but not exceeding five years	**1,235,369**	1,935,561
After five years	**568,770**	387,699
Total borrowings and loans	**7,914,462**	6,968,786
Less: amount repayable within one year included in current liabilities	**(4,909,250)**	(3,140,228)
Amount repayable after one year	**3,005,212**	3,828,558

27. BORROWINGS AND LOANS *(Continued)*

(a) The Group's borrowings and loans bear interests at rates ranged from 4.75% to 18.15% (2018: 2.64% to 18.15%) per annum.

(b) As at 31 December 2018, the Group had two matured loans due to the subsidiaries of China Orient Asset Management (International) Holding Limited ("COAMI") (the holding company of a substantial shareholder of the Company) with principal amounts of RMB500,000,000 (equivalent to approximately HK$569,476,000 which was previously included as entrusted loans from a related party) and RMB404,357,000 (equivalent to approximately HK$460,543,000 which was previously included as amount due to a minority owner of a subsidiary), respectively. During the year ended 31 December 2019, COAMI has also settled matured borrowings from other financial institutions with principal amount of RMB632,000,000 (equivalent to approximately HK$730,720,000) on behalf of the Group (COAMI was the guarantor of the related borrowings). All of the aforesaid amounts became current loans due to COAMI or its subsidiaries (collectively the "Matured Loans"). In December 2019, a third party asset management company has acquired the collection rights of the Matured Loans from COAMI or its subsidiaries and these loans have been classified as "borrowings from other financial institutions" included in current liabilities. Except for the loans with principal amounts of RMB404,357,000 (equivalent to approximately HK$460,543,000) which are secured by the equity interests of certain subsidiaries, the loans due to the aforesaid asset management company are unsecured, repayable on demand and bear interests at fixed rates ranging from 12.0% to 12.1% per annum.

The exposure of the Group's borrowings and loans to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
6 months or less	**4,723,461**	1,914,461
6-12 months	**1,642,143**	1,433,056
1-5 years	**1,548,858**	3,233,570
over 5 years	**–**	387,699
	7,914,462	6,968,786

27. BORROWINGS AND LOANS *(Continued)*

As at 31 December 2019, borrowings and loans of HK$5,329,540,000 were secured by certain property, plant and eqiupment (Note 16), investment properties (Note 17), land use rights (Notes 16 and 18), properties under development and completed properties held-for-sale (Note 21), pledged bank deposits (Note 23) and certain equity shares of the subsidiaries of the Group.

The carrying amounts of the Group's borrowings and loans are denominated in the following currencies:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
USD	**–**	101,801
RMB	**7,914,462**	6,866,985
	7,914,462	6,968,786

The fair value of non-current borrowings and loans approximate their carrying amount, as most of the non-current borrowings bear floating market rates and hence the impact of discounting is not significant. The fair values are based on cash flows discounted using rates based on the borrowing rate and are within Level 2 of the fair value hierarchy.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Movements in liabilities from financing activities:

	Liabilities from financing activities				
	Amounts due to minority owners of subsidiaries due within 1 year[(i)] HK$'000	Borrowings due within 1 year HK$'000	Borrowings due after 1 year HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2018	(719,749)	(3,668,501)	(5,847,647)	–	(10,235,897)
Cash flows	116,244	2,842,883	(673,153)	–	2,285,974
Foreign exchange adjustments	32,539	50,447	327,185	–	410,171
Other non-cash movements	–	(2,365,057)	2,365,057	–	–
As at 31 December 2018	(570,966)	(3,140,228)	(3,828,558)	–	(7,539,752)
Recognised on adoption of HKFRS 16 *(Note 4)*	–	–	–	(119,032)	(119,032)
As at 1 January 2019	(570,966)	(3,140,228)	(3,828,558)	(119,032)	(7,658,784)
Cash flows	(2,269)	1,222,754	(1,248,990)	52,315	23,810
Foreign exchange adjustments	10,140	41,195	65,744	2,006	119,085
Other non-cash movements	450,238	(3,032,971)	2,006,592	(47,599)	(623,740)
Net debt as at 31 December 2019	(112,857)	(4,909,250)	(3,005,212)	(112,310)	(8,139,629)

(i) As at 31 December 2019, the amounts due to minority owners of subsidiaries are interest free and repayable on demand. Except for the amount of HK$460,543,000 as at 31 December 2018 which bore interests at a fixed rate of 12% per annum, the amounts due to minority owners of subsidiaries are interest free, unsecured and repayable on demand.

(b) Major non-cash transactions

	Year ended 31 December	
	2019 HK$'000	2018 HK$'000
Repayment of a matured borrowing by the guarantee provider (Note 27(b))	**730,720**	–

29. TAX PREPAYMENTS/PAYABLES

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Tax prepayments		
PRC Enterprise Income Tax prepayments	**141,452**	98,592
LAT prepayments	**132,551**	116,575
	274,003	215,167

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Tax payables		
PRC Enterprise Income Tax payable	**118,832**	245,311
LAT provision	**173,717**	164,332
	292,549	409,643

30. DEFERRED INCOME TAX

Details of the deferred income tax assets and liabilities recognised and movements during the current and the prior year were as follows:

Deferred income tax assets	**Tax losses**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2018	26,918	7,445	34,363
Charged to income statement	(26,686)	(1,947)	(28,633)
Exchange differences	(232)	(264)	(496)
At 31 December 2018	–	5,234	5,234
Charged to income statement	–	(1,864)	(1,864)
Exchange differences	–	(68)	(68)
At 31 December 2019	**–**	**3,302**	**3,302**

30. DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities	Revaluation of property, plant and equipment and land use rights HK$'000	Revaluation of investment properties HK$'000	Revaluation of properties for sale HK$'000	Withholding tax on unremitted earnings of subsidiaries HK$'000	Recognised revenue over time HK$'000	Total HK$'000
At 1 January 2018	150,335	195,189	574,458	27,602	16,909	964,493
(Credited)/charged to income statement	(2,411)	338	(163,304)	12,233	(10,152)	(163,296)
Currency translation differences	(7,874)	(8,550)	(31,228)	(3,305)	(476)	(51,433)
At 1 January 2019	140,050	186,977	379,926	36,530	6,281	749,764
(Credited)/charged to income statement	(4,188)	4,061	(15,325)	(13,523)	5,407	(23,568)
Currency translation differences	(2,674)	(2,770)	(11,787)	(76)	(22)	(17,329)
At 31 December 2019	**133,188**	**188,268**	**352,814**	**22,931**	**11,666**	**708,867**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred income tax assets of HK$603,251,000 (2018: HK$433,768,000) in respect of cumulative tax losses amounting to HK$2,443,617,000 (2018: HK$1,749,648,000) that can be carried forward against future taxable income.

As at 31 December 2019, cumulative tax losses amounting to HK$90,047,000 (2018: HK$42,807,000) can be carried forward indefinitely and the tax losses of HK$2,353,570,000 (2018: HK$1,706,778,000) will expire in five years' time (out of which tax losses of HK$276,586,000 (2018: HK$451,765,000) is expiring withing one year).

31. SHARE CAPITAL

(a) Authorised and issued share capital

Authorised	As at 31 December			
	2019 Number	**2019 HK$'000**	2018 Number	2018 HK$'000
Ordinary shares of HK$0.02 each	**20,000,000,000**	**400,000**	20,000,000,000	400,000

Issued and fully paid	As at 31 December			
	2019 Number	**2019 HK$'000**	2018 Number	2018 HK$'000
Ordinary shares of HK$0.02 each	**14,879,351,515**	**297,587**	14,879,351,515	297,587

(b) Share option scheme

2012 Share option scheme

The Company adopted a share option scheme on 26 June 2012 (the "2012 Share Option Scheme"), for primary purpose of providing incentives to eligible participants. Details of the 2012 Share Option Scheme are as follows:

On 26 June 2012, the Company adopted the 2012 Share Option Scheme which will expire in July 2022. Pursuant to the terms of the 2012 Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares on the date of grant. Options granted are exercisable at any time during a period to be notified by the Board of the Company but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer at the consideration of HK$1.

31. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company shall not exceed 1,243,725,152 shares, being 10% of the Company's shares in issue as at the date on which the relevant share option scheme has been adopted. This represents 8.35% of the current issued shares of the Company.

The 2012 Share Option Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the 2012 Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the 2012 Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

No options have been granted under the 2012 Share Option Scheme during the years ended 31 December 2019 and 2018.

As at 31 December 2019 and 2018, no options were outstanding as all the options previously granted were all lapsed prior to 31 December 2018.

32. LEASES

(a) The Group as the lessor

As at 31 December 2019 and 31 December 2018, the Group had future aggregate minimum rental receivables under non-cancellable operating leases of self-owned investment properties as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Not later than one year	**162,250**	187,170
Later than one year and not later than five years	**438,610**	533,593
Later than five years	**115,269**	179,411
	716,129	900,174

(b) The Group as the lessee

(i) Amounts recognised in the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2019 HK$'000	As at 1 January 2019 HK$'000
Right-of-use assets		
Property, plant and equipment	**450,048**	477,705
Leased properties as included investment properties *(Note 17 (a))*	**97,258**	112,137
	547,306	589,842
Lease liabilities		
Current	**36,066**	17,651
Non-current	**76,244**	101,381
	112,310	119,032

Additions to the right-of-use assets during the year ended 31 December 2019 were HK$20,813,000.

32. LEASES *(Continued)*

(b) The Group as the lessee *(Continued)*

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Depreciation charge of right-of-use assets included in property, plant and equipment	**24,793**	–
Changes in fair value of investment properties	**28,405**	–
Interest expense (included in finance costs-net) *(Note 12)*	**11,603**	–

The total cash outflow for leases in 2019 was HK$52,315,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases certain office buildings, retail stores and apartments. Rental contracts are typically made for fixed periods of 1 to 8 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

33. RELATED PARTY TRANSACTIONS/BALANCES

As at 31 December 2019, Smart Success Capital Ltd., as the substantial shareholder of the Company, held 18.17% in the issued shares of the Company.

Smart Success Capital Ltd. is indirectly controlled by COAMI, which is ultimately held by China Orient Asset Management Co., Ltd.

In addition to those disclosed elsewhere in the financial statements, the Group had entered into the following significant transactions and had balances with related parties:

33. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

(a) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	As at 31 December	
	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**24,632**	24,933
Post-employment benefits	**250**	282
	24,882	25,215

The remuneration of key management personnel is determined by reference to the performance of individuals and market trends.

(b) Other related party transactions

As at 31 December 2019, COAMI provided guarantees on certain borrowings of the Group amounting to HK$950,783,000 (2018: HK$1,687,099,000). During the year ended 31 December 2019, the service fee relating to the guarantees amounting to HK$65,517,000 (2018: HK$83,709,000) was accrued by the Group.

(c) Balances with related parties

	Amounts owed to the Group by related parties As at 31 December		Amounts owed by the Group to related parties As at 31 December	
	2019 **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000
Amounts due from an associate *(i)*	**255,183**	257,459	**–**	–
Balances included in amounts due to minority owners of subsidiaries *(ii)*	**–**	–	**–**	460,543
Entrusted loans from a related party (included in borrowings and loans) *(ii)*	**–**	–	**–**	569,476

(i) During the year ended 31 December 2019, impairment provision of HK$17,379,000 for amounts due from an associate has been recognised (2018: HK$53,684,000).

(ii) During the year ended 31 December 2019, the related companies (both are subsidiaries of COAMI) have disposed of the collection rights of the related balances to a thrid party asset management company, details of which have been set out in Note 27(b).

34. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2019 and 2018:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Guarantees in respect of mortgage facilities for certain purchasers	**596,772**	988,658

As at 31 December 2019 and 2018, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties, net of mortgages received and included in receipts in contract liabilities. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then to be pledged with the banks.

35. COMMITMENTS

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Commitments in respect of properties under development and investment properties – contracted for but not provided	**4,380,299**	5,003,500
Commitments for acquisition of subsidiaries – contracted for but not provided *(a)*	**1,662,975**	1,693,280

(a) In August 2015, the Group entered into six equity transfer agreements with a third party to acquire the entire equity interests of six project companies that possess 13 land parcels located in Nanjing, the PRC. As at 31 December 2019, the equity interests of two project companies which owns 4 parcels of land were transferred to the Group. The equity interests of the remaining four project companies have not been transferred to the Group and the corresponding consideration of RMB1,486,700,000 (equivalent to HK$1,662,975,000) have not been paid.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The following table shows the Group's financial assets and liabilities by category:

	Loans and receivables at amortised costs HK$'000	Financial assets at fair value HK$'000	Total HK$'000
Assets			
As at 31 December 2019			
Financial assets at FVPL	**–**	**24,049**	**24,049**
Financial assets at FVOCI	**–**	**37,304**	**37,304**
Trade and other receivables excluding prepayments	**242,777**	**–**	**242,777**
Pledged bank deposits	**1,445,051**	**–**	**1,445,051**
Cash and cash equivalents	**510,151**	**–**	**510,151**
Amounts due from an associate	**255,183**	**–**	**255,183**
	2,453,162	**61,353**	**2,514,515**

	Loans and receivables HK$'000	Financial assets at fair value HK$'000	Total HK$'000
Assets			
As at 31 December 2018			
Financial assets at FVPL	–	13,366	13,366
Financial assets at FVOCI	–	37,984	37,984
Trade and other receivables excluding prepayments	325,687	–	325,687
Pledged bank deposits	1,134,638	–	1,134,638
Cash and cash equivalents	843,049	–	843,049
Amounts due from an associate	257,459	–	257,459
	2,560,833	51,350	2,612,183

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Other financial liabilities at amortised costs HK$'000
Liabilities	
As at 31 December 2019	
Borrowings and loans	**7,914,462**
Trade and other payables (excluding other taxes and payroll payables)	**2,403,045**
Amounts due to minority owners of subsidiaries	**112,857**
Lease liabilities	**112,310**
	10,542,674
As at 31 December 2018	
Borrowings and loans	6,968,786
Trade and other payables (excluding other taxes and payroll payables)	3,331,539
Amounts due to minority owners of subsidiaries	570,966
	10,871,291

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Notes	As at 31 December 2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**898,546**	898,546
Property, plant and equipment		**4,371**	621
Total non-current assets		**902,917**	899,167
Current assets			
Amounts due from subsidiaries		**3,314,907**	3,334,511
Other receivables		**13,646**	34,072
Cash and cash equivalents		**11,506**	25,254
Total current assets		**3,340,059**	3,393,837
Total assets		**4,242,976**	4,293,004
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**297,587**	297,587
Share premium		**2,164,700**	2,164,700
Other reserves	(a)	**226,912**	226,912
Accumulated losses	(a)	**(137,912)**	(69,879)
Total equity		**2,551,287**	2,619,320

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

		As at 31 December	
	Notes	**2019** **HK$'000**	2018 HK$'000
Liabilities			
Non-current liabilities			
Lease liabilities		**1,490**	–
Total non-current liabilities		**1,490**	–
Current liabilities			
Amounts due to subsidiaries		**1,616,884**	1,569,561
Other payables		**70,493**	2,322
Borrowings and loans		**–**	101,801
Lease liabilities		**2,822**	–
Total current liabilities		**1,690,199**	1,673,684
Total liabilities		**1,691,689**	1,673,684
Total equity and liabilities		**4,242,976**	4,293,004

The balance sheet of the Company was approved by the Board of Directors on 26 March 2020 and was signed on its behalf.

Wang Letian *Director*	**Tang Jian** *Director*

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

(a) Reserve movement of the Company

	Other reserves HK$'000	Retained earnings/ (Accumulated losses) HK$'000
At 1 January 2018	289,012	81,093
Loss for the year	–	(213,072)
Release upon lapse of share options	(62,100)	62,100
At 31 December 2018	226,912	(69,879)
At 1 January 2019	**226,912**	**(69,879)**
Loss for the year	**–**	**(68,033)**
At 31 December 2019	**226,912**	**(137,912)**

38. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2019:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:			
	Fees HK$'000	Salary and bonus HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Total HK$'000
Executive directors and chief executive:				
Mr. Wang Letian *(Chairman)* *(Note(i))*	–	–	–	–
Mr. Qiu Haibin *(Note(i))*	–	929	18	947
Mr. Qin Renzhong	–	–	–	–
Mr. Zhang Huagang *(Chief Executive)*	–	7,118	18	7,136
Mr. Tang Jian	–	2,771	18	2,789
Non-executive directors:				
Ms. Wang Zheng	600	–	–	600
Mr. Gong Ping	600	–	–	600
Ms. Jiang Zhengyan	600	–	–	600
Independent non-executive directors:				
Mr. Chow, Alexander Yue Nong	600	–	–	600
Dr. Xu Changsheng	600	–	–	600
Mr. Ng Man Kung	600	–	–	600
Mr. How Sze Ming	600	–	–	600
Dr. Di Ruipeng	600	–	–	600
Total	4,800	10,818	54	15,672

38. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2018:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:			
	Fees HK$'000	Salary and bonus HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Total HK$'000
Executive directors and chief executive:				
Mr. Qiu Haibin	–	929	18	947
Mr. Qin Renzhong *(Note(ii))*	–	–	–	–
Mr. Wang Quan *(Note(ii))*	–	–	–	–
Mr. Zhang Huagang *(Chief Executive)*	–	6,087	18	6,105
Mr. Tang Jian	–	4,581	18	4,599
Non-executive directors:				
Ms. Wang Zheng	600	–	–	600
Mr. Gong Ping	600	–	–	600
Ms. Jiang Zhengyan	600	–	–	600
Independent non-executive directors:				
Mr. Chow, Alexander Yue Nong	600	–	–	600
Dr. Xu Changsheng	600	–	–	600
Mr. Ng Man Kung	600	–	–	600
Mr. How Sze Ming	600	–	–	600
Dr. Di Ruipeng	600	–	–	600
Total	4,800	11,597	54	16,451

38. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the years ended 31 December 2019 and 2018, no housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking were provided by the Group to directors or chief executive.

Notes:

(i) Mr. Qiu Haibin resigned and Mr.Wang Letian was appointed as an executive director of the Company, the chairman of the Board, a member and the chairman of the Nomination Committee, a member of Remuneration Committee and an authorised representative of the Company on 9 November 2019.

(ii) Mr. Wang Quan resigned and Mr. Qin Renzhong was appointed as executive director on 29 June 2018.

(iii) Directors' retirement benefits and termination benefits

None of the directors received retirement benefits or termination benefits for the year ended 31 December 2019.

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

For the year ended 31 December 2019, the Group did not pay consideration to any third parties for making available directors' services.

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

For the year ended 31 December 2019, the Group did not provide loans, quasi-loans and other dealings in favour of directors.

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

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

39. EVENTS AFTER THE BALANCE SHEET DATE

(a) As disclosed in the Company's announcement dated 2 February 2020, the Company is planning to dispose of its entire 100% equity interest in Haimen Zendai Binjiang Real Estate Co., Ltd. and certain of its subsidiaries (the "Haimen Group to be Disposed") by way of a public tender through The Shanghai United Assets and Equity Exchange (the "Proposed Disposal") and the Proposed Disposal (if materialised) will constitute a very substantial disposal of the Group.

The Haimen Group to be Disposed is principally engaged in the development of properties in the Haimen Riverside New City District of Haimen city, the PRC. The assets of the Haimen Group to be Disposed comprise of property under development, completed properties held-for-sale and other current/non-current assets with carrying amounts of approximately RMB821.29 million, RMB143.61 million and RMB21.50 million (equivalent to approximately HK$918.67 million, HK$160.64 million and HK$24.05 million) respectively as at 31 December 2019.

The minimum bidding price for this proposed disposal is RMB1,582.90 million (equivalent to approximately HK$1,770.60 million). The final consideration for the Proposed Disposal will depend on the final bid price offered by the successful bidder, but in any event will be no less than the abovementioned minimum bidding price.

As of the date of these consolidated financial statements, the Company has not yet submitted the relevant tender notice in relation to the Proposed Disposal and the entering into of the Proposed Disposal will be conditional upon, among others, the Company having obtained the approval from the shareholders of the Company. Accordingly, the Proposed Disposal may or may not materialise.

39. EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

(b) Since early 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

The directors of the Company have assessed that the COVID-19 outbreak may have the following potential impact to the Group:

- The development of the COVID-19 outbreak and the gradual recovery of the macroeconomic environment may have impact on the timing of the full resumption of Group's property construction works or the launch of Group's pre-sale of properties. All of these possible uncertainties may affect the Group's revenue or cash flows from property sales.

- The Group's rental and management fee income in 2020 could possibly be affected by the temporary waivers of rentals and property management fees offered to tenants or the tenant's requests in adjustments of existing lease contract terms (if any).

- The Group's revenue from hotel operations may also be affected due to the recent drop in international travelers and inter-cities travelers in China.

- The Group applies the fair value model to measure its investment properties (Note 17) and the carrying amounts of the investment properties are determined based on the condition as of 31 December 2019. In 2020, the fair value of the Group's investment properties may be subject to fluctuation due to the COVID-19 outbreak.

The overall financial effect of the above cannot be reliably estimated as of the date of these consolidated financial statements.

The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2019

The following table summarises the results, assets and liabilities of the Group for the last five years.

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,348,592**	7,172,037	3,027,741	1,943,579	1,787,475
(Loss)/Profit before tax expenses	**(1,082,071)**	(658,465)	185,691	(908,562)	(1,052,889)
Tax credit/(expenses)	**20,673**	(321,711)	(56,534)	(213,666)	2,441
(Loss)/Profit for the year	**(1,061,398)**	(980,176)	129,157	(1,122,228)	(1,050,448)

ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**18,153,275**	18,468,047	24,360,875	21,235,753	21,343,084
Total liabilities	**(16,482,719)**	(15,679,804)	(20,433,635)	(17,964,365)	(16,694,015)
Non-controlling interests	**(61,143)**	(74,386)	(140,452)	(27,289)	(216,182)
Balance of shareholders' funds	**1,609,413**	2,713,857	3,786,788	3,244,099	4,432,887