TFG
富元國際

TFG International Group Limited
富元國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

Annual Report 2019

Contents

Corporate Information

EXECUTIVE DIRECTORS

YANG Lijun *(Co-Chairman)*
(redesignated on 29 August 2019)
YU Shunhui *(Co-Chairman)*
(appointed on 29 August 2019)

NON-EXECUTIVE DIRECTOR

WONG Kui Shing, Danny
(redesignated on 1 February 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

COMPANY SECRETARY

WOO Chung Ping

PRINCIPAL BANKERS

China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

CCTH CPA Limited
Unit 5–6, 7/F., Greenfield Tower Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui, Kowloon,
Hong Kong

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

The Offices of Sterling Trust (Cayman) Limited
Whitehall House, 238 North Church Street
George Town, Grand Cayman KY1-1102
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat 403 and 405, 4/F., Kowloon City Plaza
128 Carpenter Road
Kowloon City
Kowloon
Hong Kong

Dear Shareholders,

We are pleased to report the audited consolidated results of TFG International Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 as follows:

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

For the year ended 31 December 2019, the Group's revenue amounted to HK$34.5 million, compared to HK$18.1 million for 2018. The Group reported a loss for the year ended 31 December 2019 of HK$221.3 million (2018: loss of HK$136.2 million). The Group's consolidated loss attributable to the owners of the Company for 2019 amounted to HK$202.4 million (2018: loss of HK$122.4 million).

In 2019, sales revenue of the property development segment amounted to HK$20.9 million, compared to HK$3.7 million. Such increase was due to the launches of two new property projects, namely German City located in Zhuhai and Fuyuan Junting located in Chengdu, in the 4th quarter of 2019. As at 31 December 2019, approximately 12.6% and 6.7% of units of German City and Fuyuan Junting, respectively, were sold. The remaining units of these two projects would be put to the market in the year of 2020.

Although the revenue of property development segment increased substantially, the Group suffered a loss in the financial year of 2019. Such loss, among other things, was mainly attributable to the increase in (i) impairment of trade receivables of licensing rights, the collectability of which was doubtful, (ii) impairment of property, plant and equipment and licensing rights, (iii) selling expenses for promotional and marketing activities of the Group's new property development projects and (iv) finance costs of certain loans and borrowings taken to finance new property development projects and the decline in property revaluation on investment properties.

During the year, we sold our last unit of Morning Star Villa. As at 31 December 2019, there was approximately 1.9% of completed residential and commercial units available for sale in respect of Morning Star Plaza that remained unsold.

Although the management had been working on seeking relevant government approval on the development of the remaining land parcels of Morning Star Villa throughout the year of 2019, such approval has not yet been granted as at the date of this report.

Letter to Shareholders

DIVIDEND

The Directors do not recommend to pay any dividend for the financial year ended 31 December 2019 (2018: Nil).

PROSPECT

Global economic situation of 2019 kept changing. Stiff competition between major powers was heightened. Anti-globalisation became increasingly severe. All of these made the state of global economy very depressing. In the 1st quarter of 2020, the rapid outbreak of novel coronavirus ("COVID-19") and the oil shock brought the global economies into further turmoil. Accordingly, this will affect the performance of national economic growth of the People Republic of China (the "PRC") and, to certain extent, restrain the business development of the Group.

In spite of the difficult operation environment in 2019, the Group has been dedicating to explore new business opportunities, including a healthcare project with the deployment of German technology to be launched in our German City property project. This year, we will put more efforts into this healthcare project and expect this healthcare project will make a positive contribution to the Group's revenue in the foreseeable future.

Looking ahead, the Group is still confident in the PRC's economic prospects. The management will seize any business opportunity and make better use of our existing property assets to maximise benefits of our shareholders.

ACKNOWLEDGMENT

On behalf of the Board, we would like to extend our sincere appreciation to all members of the Board, our staff, valued customers, business partners, bankers, and shareholders for their continuous support. We would also like to compliment the management and staff for their genuine and valuable dedication towards the development of the Group.

YANG Lijun
Co-chairman

YU Shunhui
Co-chairman

Hong Kong, 24 April 2020

BUSINESS REVIEW

For the year ended 31 December 2019, the Group's revenue amounted to HK$34.5 million, compared to HK$18.1 million for 2018. However, the Group suffered a loss before tax of HK$233.8 million, compared to the loss of HK$133.8 million for 2018. Such loss, among other things, was mainly attributable to the increase in (i) impairment of trade receivables of licensing income, the collectability of which was doubtful, (ii) impairment of property, plant and equipment and licensing rights, (iii) selling expenses for promotional and marketing activities of the Group's new property development projects and (iv) finance costs of certain loans and borrowings taken to finance new property development projects and the decline in property revaluation on investment properties.

The Group's consolidated loss attributable to the owners of the Company for 2019 amounted to HK$202.4 million, compared to the loss of HK$122.4 million for 2018.

Property Development Segment

In 2019, sales of the property development segment amounted to HK$20.9 million, compared to HK$3.7 million for 2018. Such increase was the result of launching two new property projects, namely German City located in Zhuhai and Fuyuan Junting located in Chengdu, in the 4th quarter of 2019. Loss of the segment for 2019 was HK$52.6 million, compared to the loss of HK$34.2 million for 2018. The segment loss was mainly attributable to the impairments of property, plant and equipment, investment properties, right-of-use assets and properties held for sale under development.

As at 31 December 2019, approximately 12.6% and 6.7% of units of German City and Fuyuan Junting, respectively, were sold. The remaining units of these two projects would be put to the market in the year 2020.

For the year ended 31 December 2019, the last unit of Morning Star Villa was sold. As at 31 December 2019, there was approximately 1.9% of completed residential and commercial units available for sale in respect of Morning Star Plaza that remained unsold.

The management had been working on seeking relevant government approval on the development of the land parcels of Morning Star Villa throughout the year of 2019. The land parcels measuring 227 mu for developing residential units with carrying value of HK$55.4 million were included in properties held for sale under development in the consolidated statement of financial position of the Group as at 31 December 2019. To the date of this report, such approval has not yet been granted.

Hotel Business

For the year ended 31 December 2019, the hotel business segment recorded revenue from sub-licensing operating rights of HK$13.6 million, compared to HK$14.4 million for 2018. Loss of the segment for 2019 amounted to HK$85.9 million, compared to a loss of HK$43.3 million for 2018. The loss was mainly attributable to the depreciation of property, plant and equipment and right-of-use assets and the impairment of property, plant and equipment and licensing rights.

Geographical Segment

During the year, the Group did not generate revenue from Hong Kong. The revenue generated from the PRC all about our hotel business and property development segments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the year.

RELATED PARTY TRANSACTIONS

The related party transactions disclosed in note 51 to the consolidated financial statements constituted exempted connected transactions of the Company under Chapter 14A of the Listing Rules. Accordingly, these transactions were fully exempted from reporting, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

Management Discussion and Analysis

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

Performance of the Group's core business will be affected by various factors, including but not limited to economic conditions and the performance of property markets in regions where the developments or investments are located, which would not be mitigated even with careful and prudent investment strategy and strict control procedures.

Policy Risk

The business operation of the Group is also subject to government policies, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risk

The Group relies on third-party service providers in certain parts of its business. While gaining the benefits from external service providers, the management realises that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputable third-party providers and closely monitors their performance.

COVID-19

Entering 2020, the rapid outbreak of COVID-19 in various countries has put the global economy to a major test. Under the effective control measures of the PRC government, the epidemic has been gradually contained. The Group has comprehensively evaluated its impact on sales activities and construction works in cities where our property projects and hotel located, with an aim to fully support the prevention and control on the epidemic of COVID-19 and to effectively cut off the transmission of the virus.

The outbreak has already caused short-term impacts on various industries, and the property development market has also been affected by the short-term psychological impact on the public. Therefore, the Group foresees revenue and income will be affected in the first half of year 2020. However, local governments in the PRC have introduced relaxation policies to stabilise future economic development of the country. The Group will closely monitor the development of COVID-19, and continue to assess the impact of the epidemic on the Group's finances and operations.

Currency risk

Although the reporting currency of the Group is Hong Kong dollars, the Group conducts its business primarily in Renminbi. The RMB borrowings accounted for approximately 71.8% of total borrowings as at 31 December 2019. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into any currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2019, the Group has not entered into any foreign exchange hedging transactions.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets of the Group as at 31 December 2019, consisting mainly of investment properties, property under development, property, plant and equipment, right-of-use assets, and licensing rights amounted to HK$862.0 million, compared to HK$1,072.7 million as at 31 December 2018. Current assets as at 31 December 2019 amounted to HK$914.0 million, compared to HK$448.6million as at 31 December 2018. Current liabilities as at 31 December 2019 amounted to HK$788.2 million, compared to HK$276.4 million as at 31 December 2018. Non-current liabilities as at 31 December 2019 amounted to HK$593.5 million, compared to HK$619.1 million as at 31 December 2018.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2019, the cash and bank balances of the Group amounted to HK$56.1 million (2018: HK$54.3 million), of which 72.1% was denominated in Renminbi, 27.8% in Hong Kong dollars and 0.1% in United States dollars.

As at 31 December 2019, the Group's total interest-bearing borrowings amounted to HK$919.9 million (31 December 2018: HK$589.9 million) which comprised borrowings from two financial institutions of HK$143.9 million (31 December 2018: HK$80.8 million) and from independent third parties of HK$776.0 million (31 December 2018: HK$509.1 million).

Out of the Group's total interest-bearing borrowings of HK$919.9 million:

- 28.2% were denominated in Hong Kong dollars and 71.8% were denominated in Renminbi;

- HK$357.5 million were repayable within one year, HK$515.3 million were repayable after one year but within two years, while the remaining balances of HK$47.1 million were repayable after two years but within five years and there was no interest-bearing borrowings repayable beyond five years from the end of the reporting period; and

- 84.4% were at fixed interest rates and 15.6% were at floating rates.

During the year ended 31 December 2019, the Group did not use any financial instruments for hedging its debt and obligation positions or for hedging foreign currency exposure.

The Group did not have unutilised banking facility as at 31 December 2019. (2018: Nil).

The Group's total equity as at 31 December 2019 was HK$394.3 million (31 December 2018: HK$625.7 million).

The Group's gearing ratio as at 31 December 2019 was 233.3% (31 December 2018: 94.3%). The gearing ratio was calculated on the basis of total interest bearing borrowings over the total equity of the Group. The significant increase in gearing ratio was mainly due to substantial amount of interest-bearing borrowings raised to finance the development costs of two new property projects, namely German City and Fuyuan Junting.

As part of treasury management, the Group centralises funding for all of its operations at the Group level. The Group's foreign currency exposure relates mainly to Renminbi, which is derived from its property development and hotel businesses in the PRC.

Capital Commitments

The Group did not have any significant capital commitments as at 31 December 2019. (31 December 2018: Nil).

Project Commitments

As at 31 December 2019, the Group had outstanding commitments in respect of the property development segment, which were contracted but not provided for, of approximately HK$705.6 million (31 December 2018: HK$667.7 million).

Management Discussion and Analysis

Contingent Liabilities

As at 31 December 2019, the Group had contingent liabilities amounted to HK$0.1 million (31 December 2018: HK$0.1 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of the properties of Morning Star Villa and Morning Star Plaza. The management considered that the fair value of such guarantees was insignificant.

Charges on Group Assets

As at 31 December 2019, part of the Group's leasehold land and buildings with a carrying value of HK$316.0 million (31 December 2018: HK$393.3 million) had been pledged to a financial institution to secure mortgage loans. In addition, non-current bank balances of HK$1.0 million (31 December 2018: HK$22.1 million) were pledged to banks to secure mortgage loan facilities granted to purchasers of the Group's properties held for sale and the issuance of a performance letter of guarantee in favour of a government department in honour of the sale and purchase agreement relating to the Group's purchase of land of German City project.

STAFF ANALYSIS

Total number of staff employed by the Group as at 31 December 2019 was 135, compared to 51 as at 31 December 2018. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

For the year ended 31 December 2019, the total remuneration costs, including directors' remuneration, were HK$17,801,000 (2018: HK$12,851,000).

OUTLOOK

Outlook and Planning

Global economic situation of 2019 kept changing. Stiff competition between major powers was heightened. Anti-globalisation became increasingly severe. All of these made the state of global economy very depressing. In the 1st quarter of 2020, the global outbreak COVID-19 and the oil shock brought the global economies into further turmoil. Accordingly, this will affect the performance of national economic growth of the PRC and, to certain extent, restrain the business development of the Group.

In early December 2019, the Group's residential property project located in Pidu District, Chengdu had started pre-sale. The Group recorded a pre-sale subscription amount of approximately RMB77.0 million up to the end of March 2020 based on subscription contracts. The pre-sale amounted to approximately 12.1% of the project's area for sale. The revenue from the pre-sale recognised for the year ended 31 December 2019 amounted to HK$2.1 million. The Group will continue to accelerate the sales in 2020.

In the middle of November 2019, the Group's commercial property project German City located in Hengqin, Zhuhai, Great Bay Area, had started pre-sale and recorded a pre-sale subscription amount of approximately RMB241.9 million up to the end of March 2020 based on subscription contracts. The pre-sale accounted for approximately 13.7% of the project's area for sale. The revenue from the pre-sale recognised for the year ended 31 December 2019 amounted to HK$8.2 million. The Group is also exploring business opportunities with a German technology company for a healthcare project to be launched in this property project. The Group will put more efforts into this healthcare project in 2020 and expect this healthcare project will make a positive contribution to the Group's revenue in the foreseeable future.

In spite of the gloomy economic picture depicted above, the Group is still confident in the PRC's prospects. The management has been working on new business opportunities that could maximise benefits of our shareholders. This included exploitation of German technologies on healthcare industry that could make better use of our existing property development projects.

DIRECTORS

YANG Lijun

Mr. YANG Lijun ("Mr. YANG"), aged 45, is the Co-chairman of the Board (the "Board") of Directors (the "Directors") and an executive Director. He is also the Chairman of the Executive Committee of the Board. Mr. YANG was the Chairman of the Board since May 2017 and was re-designated as the Co-chairman of the Board in August 2019. Mr. YANG is also a director of certain subsidiaries of the Company. Mr. YANG has more than 20 years of extensive experience in investment and management of real estate development in the PRC. From 2004 to 2013, Mr. YANG was the president of 中山大南集團有限公司 (Zhongshan Danan Group Limited) ("Zhongshan Danan"). From 2014 to 2017, Mr. YANG was the president of 中山富元控股集團有限公司 (Zhongshan Fuyuan Holdings Group Limited) ("Zhongshan Fuyuan"). Both Zhongshan Danan and Zhongshan Fuyuan are renowned property developers in Zhongshan, Guangdong, the PRC. As at 24 April 2020, being the date of this report, Mr. YANG was also director and controlling or substantial shareholder of certain private companies, namely Yang's Development Limited and Affluent Splendid Investment Holdings Limited which engage in property investment and development businesses in the PRC. Mr. YANG has jointly invested with Mr. YU Shunhui in certain projects together. As at 31 December 2019, Mr. YANG was directly interested in 100% shares of Jade Leader International Investment Limited ("Jade Leader"), which owned as to 51% interest in shares of All Great International Holdings Limited ("All Great"), which owned as to 42.55% interest in the issued shares of the Company and was also personally holding 11,608,000 shares of the Company. As at 31 December 2019, Mr. YANG was a sole director of Jade Leader and All Great respectively.

YU Shunhui

Mr. YU Shunhui ("Mr. YU"), aged 51, is the Co-chairman of the Board and as an executive Director since August 2019. Mr. YU has over 20 years' of extensive experience in property development, property investment and property management businesses in Hong Kong, Macau and the PRC either under his own name or through certain corporations controlled by him. Mr. YU has jointly invested with Mr. YANG in certain projects together. As at 31 December 2019, Mr. YU was directly holding 100% interest in shares of Rising Giant Investments Limited ("Rising Giant") which holds 2.37% interest in the issued shares of the Company. Mr. YU also holds 100% interest in shares of Honor Huge Investment Holdings Limited ("Honor Huge") which holds 35% interest in shares of All Great International Holdings Limited ("All Great"), and holds 100% interest in shares of Ever Star International Investment Limited ("Ever Star") which in turn holds 14% interest in shares of All Great. Accordingly, Mr. YU is deemed to be interested in approximately 44.93% of the issued shares of the Company under the Securities and Futures Ordinance. As at 31 December 2019, Mr. YU was a sole director of Rising Giant and Honor Huge respectively.

WONG Kui Shing, Danny

Mr. WONG Kui Shing, Danny ("Mr. WONG"), aged 60, was appointed as an executive Director in August 2015, a chief executive officer in November 2016, and redesignated as a non-executive Director in February 2019. Mr. Wong holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 30 years and is well experienced in the international investment market. Mr. WONG is currently an executive director of China Information Technology Development Limited (stock code: 8178) and GREATER BAY AREA DYNAMIC GROWTH HOLDING LIMITED (stock code: 1189), and an independent non-executive director of Far East Holdings International Limited (stock code: 0036). He was previously an executive director of Larry Jewelry International Company Limited (stock code: 8351) and Huiyin Holdings Group Limited (formerly known as Share Economy Group Limited) (stock code: 1178), a non-executive director of InvesTech Holdings Limited (stock code: 1087) and Shi Shi Services Limited (stock code: 8181), and an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823).

Biographies of Directors and Senior Management

CHAN Hoi Ling

Ms. CHAN, aged 46, was appointed an independent non-executive Director in October 2010. She graduated from the University of South Australia with a Bachelor of Accountancy degree and the Hong Kong Polytechnic University with a Master of Business Administration degree. She has extensive experience in auditing and accounting. Ms. CHAN was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants. Ms. CHAN was previously an independent non-executive director of GET Holdings Limited (Stock Code: 8100). As at 31 December 2019, Ms. CHAN was the Chairman of Audit Committee and member of Nomination Committee and Remuneration Committee.

SO Wai Lam

Ms. SO, aged 39, was appointed as an independent non-executive Director in October 2010. She holds a Bachelor of Science degree with double majors in Mathematics and Statistics from the University of British Columbia in Canada and a Master of Finance degree from the University of Hong Kong. Ms. SO has over 13 years of experience in the corporate finance industry. She is a responsible officer of INCU Corporate Finance Limited, a licensed corporation which carries out Type 6 (Advising on corporate finance) regulated activity under the Securities and Futures Ordinance. As at 31 December 2019, Ms. SO was the Chairman of Remuneration Committee and member of Audit Committee and Nomination Committee.

SUNG Yat Chun

Mr. SUNG, aged 41, was appointed an independent non-executive Director in October 2010. He holds a Bachelor of Science degree from the University of Western Sydney, Australia. Mr. SUNG specialises in product research and in-house operations, and is responsible for trading procedures for investment adviser. Mr. SUNG has been a compliance manager for United Overseas Bank and an operations officer for Success Securities Limited. He is also a member of the US National Futures Association. His product knowledge and long association with innovative strategies has allowed him to provide unique and diversified solutions to clients' investments. Mr. SUNG is currently a director of Ayer Alliance Wealth Management Limited, PT Ayers Asia Asset Management (Commissioner) (Indonesia), Ventus Company Limited and Cheshunt Limited. He was appointed as a director of Ayers Alliance Securities (HK) Limited, a licensed corporation which carries out Types 1 (Dealing in securities) and 4 (Advising on securities) regulated activities under the Securities and Future Ordinance in November 2013. As at 31 December 2019, Mr. SUNG was the Chairman of Nomination Committee and member of Audit Committee and Nomination Committee.

SENIOR MANAGEMENT

WAN Guohui

Mr. WAN, aged 44, joined the Group in 2017. He is responsible for management of the property projects of the Group. He is the General Manager of Zhongshan Morning Star Villa Housing and Real Estate Development Limited. Mr. Wan graduated from Nanchang University in 1997 with a Bachelor of Business Administration degree. Before joining the Group, Mr. Wan had worked for Casio Computer Co., Ltd, China Mobile and Zhongshan Fuyuan.

CHU Hau Lim

Mr. CHU aged 54, is the chief financial officer of the Group. Mr. Chu joined the Company in September 2018. He is responsible for the Group's strategic planning, corporate finance activities, oversight of financial reporting and investor relations. Mr. Chu is a professional accountant with over 30 years of experience in auditing and business advisory services as well as corporate finance and financial management work. Before joining the Group, Mr. Chu had worked for PricewaterhouseCoopers from 1996 to 2006 with his last position as senior manager. Besides, he had worked with Agile Group Holdings Limited, a company listed on the Stock Exchange (stock code: 3383), as Chief Financial Officer from July 2006 to January 2011. Mr. Chu was also a Director and the Chief Executive Officer of SQ Technology Holdings Limited from 1 October 2015 to 5 October 2016, a company whose shares are listed on the Taiwan OTC Exchange (Stock Code: 3219). Mr. Chu is a fellow member of the Association of Chartered Certified Accountants and holds an MBA degree from the Heriot-Watt University, UK.

WOO Chung Ping

Mr. WOO, aged 56, is the Company Secretary of the Company. Mr. Woo has extensive experience in accounting and finance. Mr. Woo joined the Company in June 2008. He has been the Financial Controller of the Group for ten years and presently is responsible for the Company's secretarial matter as well as the Group's human resources and administration functions. Mr. Woo is a director of an indirect wholly owned subsidiary of the Company. Mr. Woo graduated from The Hong Kong Polytechnic University with a Bachelor of Science degree in actuarial science and a Master of Science degree in accountancy. Mr. Woo also obtained a Postgraduate Diploma in Finance and Law from The School of Professional and Continuing Education of The University of Hong Kong. Mr. Woo is an associate member of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

Report of the Directors

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

PRINCIPAL ACTIVITIES

During the year, the Group was principally engaged in properties development and hotel business in Mainland China ("the People's Republic of China" or the "PRC"). Details of the principal activities of the principal subsidiaries are set out in the note 53 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements from pages 45 to 123.

No dividends have been declared in respect of the year.

BUSINESS REVIEW

The fair review of the business performance and financial position of the Group for the year ended 31 December 2019, the discussion of possible new business development, principal risks and uncertainties surrounding the Group's operational environment and important events subsequent to the year-end are provided in the Management Discussion and Analysis and Letter to Shareholders of this Annual Report. It is the philosophy of the Group to make every endeavour to comply with relevant laws and regulations which can be found throughout this Annual Report. Apart from that, below section is a review of business by key performance indicators which highlights further information about the performance of the Group.

Analysis of Business by Financial Key Performance Indicators

For the year ended 31 December 2019, the Group's profitability deteriorated, which was mainly attributable to (i) the impairment of trade receivables of licensing income, the collectability of which was doubtful, (ii) the impairment of property, plant and equipment and licensing rights of the Group, (iii) the loss on property revaluation on investment properties, (iv) the increase in selling expenses such as expenses for promotional and marketing activities for the Group's new property development projects launched for sales, and (v) the increase in interest expenses and finance costs of the Group's certain loans and borrowings which were raised to finance the Group's new property development projects.

Profitability	2019	2018
Net loss margin ratio	**(642.20)%**	(752.94%)
Return on equity ratio	**(43.40)%**	(20.28%)

Return to shareholders	2019	2018
Loss per share — basic	**HK$ (2.91) cents**	HK$(1.78) cents
Loss per share — diluted	**N/A**	N/A

As at 31 December 2019, current assets and net assets of the Group increased and liquidity of the Group deteriorated.

Liquidity and debt	2019	2018
Current ratio	**1.16**	1.62
Gearing ratio	**233.3%**	94.3%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board acknowledges that sustainable development is pivotal to the Group's long-term success. To oversee the potential risks and opportunities concerning environmental, social and governance (ESG) arising from the Group's property development and hotel business investments, the Board has taken the overall responsibility for formulating strategy on ESG aspects that are material to the Group's business, including product safety, customer satisfaction, environmental compliance, talent development, etc. The management of these material ESG aspects is spearheaded by the senior management, then further cascading down to responsible department heads which are charged with the tasks of identifying and managing these risks and opportunities in daily operations.

Detailed ESG performances will be published in our fourth ESG report which can be found on the websites of the Stock Exchange and the Company in June 2020. This section serves to provide an overview of the Group's environmental policies and related compliance and how we engage our key stakeholders.

Environmental Policies

The Group maintains an office-based operation in Hong Kong where environmental impact generated is limited. That said, we continue to operate the office facilities in an environmentally responsible manner by implementing energy saving initiatives and raising the awareness of our employees on the efficient use of resources. For the Group's hotel business investment, we have sub-licensed the operating rights of La Palazzo Hotel in Maoming City, Guangdong province, PRC, to a hotel operator who ensures well-established policies, systems and processes are in place to measure and manage its environmental performance.

During the year, the hotel operator continued to ensure emissions of air pollutants and greenhouse gases were within the statutory limits imposed by the Environmental Protection Bureau. To embrace the more stringent national environmental laws and regulations in the PRC, we ensure that the hotel operator continues to keep abreast of the latest regulatory developments and is able to fully grasp such implications.

Striving for a sustainable hotel operation, environmentally-friendly initiatives are implemented within the hotel, including water from swimming pool is recycled for sanitary use, bed sheets are washed in an environmental-friendly way, energy saving targets are set and embedded in annual performance appraisal to motivate employees to take action, etc.

Compliance with laws and regulations

The Group has strictly complied with environmental laws and regulations at locations where it operates. These include the Environment Protection Tax regulation, the Prevention and Control of Environmental Pollution of Solid Waste, Environmental Noise, Air Pollution and Water Pollution, etc. The failure to be responsive to changes to such regulations may adversely affect the Group's reputation, operations and financial performance.

During the year, the Group was not aware of any material non-compliance of laws and regulations that have a significant environmental impact relating to air and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous waste.

On the listed company level, the Group is subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Law of the Cayman Islands and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The Group adheres to and ensures that they are vigilant with the legal requirements under the statute.

Key Relationships with Stakeholders

The Group aims to engage with its key stakeholder groups and respond to their key concerned topics through established channels such as annual general meetings, corporate website, annual report, etc. Our key stakeholder groups include customers, employees, shareholders, local communities, governments, non-governmental organisations, national and international trade associations and suppliers.

Employees

Talent is key to drive the growth of the Group. We have established employment policies to attract, retain and motivate high-quality staff. Our employee handbook states clearly that any forms of corruption, blackmail, fraud and money laundering are prohibited. Grievance mechanism is in place for reporting any issues concerning integrity. Our human resources practices, policies and strategies comply with Hong Kong Labour Ordinance and Chinese Labour laws. During the year, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to employment and labour practices; and occupational health and safety.

Customers

Ensuring food safety is top priority of ours and the hotel operator. The hotel's catering and public health standard were assessed to be certified as Grade A on a provincial scale. Established policies and guidelines have been adhered to make sure the operator has strictly complied with the "Guangdong Provincial Food Safety Regulations". By monitoring the amounts of food additives consumptions, the hotel operator is strictly committed to the "Use of Food Additives Standards".

Striving for a high level of customer satisfaction, we maintain ongoing engagement with the hotel operator, making sure excellent products and services are offered to our customers. Standard operating procedures are in place to handle customer grievances, overseen by the highest-ranking management executive at the time, or by the hotel manager if necessary.

In view of rising data breaches among hotel groups, the Group ensures that the hotel operator is strictly adhered to privacy policy to prevent leaks of customers' personal information.

Suppliers

Promoting responsible procurement in the Group's hotel business investment, we maintain stringent evaluation criteria to monitor the environmental and social performance of the hotel operator, and only work with suppliers whose business ethics, conduct, and standards are aligned with our own. Established supplier code of conduct, including integrating corporate responsibility criteria into the selection and evaluation process for preferred suppliers, are in place. A list of bulk raw materials suppliers is maintained to manage the potential risk of our supply chain through examining their operating licence and quality assurance.

REMUNERATION POLICY

As at 31 December 2019, the Group had a total of 135 employees. As part of the Group's human resources policy, employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus scale. Apart from offering competitive remuneration packages to employees, the Group also offers post retirement benefits, discretionary bonuses and share options to eligible directors and staff of senior management based on individual performance.

Currently, the Group continues to implement its overall human resources training and development programme and encourages employees to equip themselves with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

The Remuneration Committee reviews, on an annual basis, remuneration packages offered to Directors and employees with reference to the prevailing market conditions, the experience of the Directors or employees and individual performance.

TAX RELIEF

The Company is not aware of any tax relief available to the Shareholders by reason of their holdings in the Company's securities.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years are set out on pages 125 to 126.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year are set out in note 42 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 43 to the consolidated financial statements and of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2018 Revision) of the Cayman Islands.

Report of the Directors

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 52 to the consolidated financial statements.

HOTEL OPERATING RIGHTS AGREEMENTS

On 15 March 2017, the Group entered into two hotel operating rights agreements with two hotel operating rights holders, which were independent third parties (the "Hotel Operating Rights Agreements"). Under the Hotel Operating Rights Agreements, the hotel operating rights holders were granted the rights to operate and manage the Group's hotel in Maoming City, the PRC (the "Hotel") and the Group is entitled to receive an aggregate fixed monthly fee of RMB1 million plus a royalty fee calculated on the basis of 10% of the net profits generated by the Hotel each month. The Hotel Operating Rights Agreements will expire on 8 June 2026. For the year ended 31 December 2019, licensing income of the Group represented approximately of 39.4% of the total revenue of the Group. None of the Directors is interested in the Hotel Operating Rights Agreements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers shared more than 68.2% of the total revenue of the Group in the year and the aggregate revenue attributable to the largest customer included therein shared more than 37.5% of the total revenue of the Group. The aggregate purchases attributable to the Group's five largest suppliers shared more than 45.5% of the total purchases of the Group in the year and aggregate purchases attributable to the largest supplier included therein shared more than 38.6% of the total purchases of the Group. None of the Directors, their close associates or any shareholder of the Company owned more than 5% issued shares of the Company was interested in such customers and suppliers.

DIRECTORS

The Directors during the year and up to 24 April 2020, being the date of this report were:

Executive Directors:

YANG Lijun *(Co-Chairman)* (redesignated on 29 August 2019)
YU Shunhui *(Co-Chairman)* (appointed on 29 August 2019)
YU Kam Hung (resigned on 1 November 2019)
WAN Jianjun (resigned on 14 January 2019, reappointed on 15 April 2019 and resigned on 2 December 2019)

Non-Executive Director:

WONG Kui Shing, Danny (redesignated on 1 February 2019. Prior to redesignation, he was an Executive Director and Chief Executive Officer)

Independent Non-Executive Directors:

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

In accordance with Articles 112, 106 and 107 of the Company's Articles of Association, Mr. YU Shunhui, Mr. SUNG Yat Chun, Ms. CHAN Hoi Ling and Ms. SO Wai Lam shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No Director or any of his/her connected entity had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during the year or as at 31 December 2019.

There was no contract of significance to the business of the Group made between the Company or any of its subsidiaries and controlling shareholder of the Company during the year or as at 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2019, Mr. YANG and Mr. WONG declared their interests in the following private companies with businesses which competed or were likely to compete, either directly or indirectly, with the business of the Group:

Name of companies	Nature of businesses considered to compete or likely to compete with the business of the Group	Nature of interest in those companies during 2019
Yang's Development Limited ("Yang's")	Property investment and development in the PRC	Mr. YANG had certain direct interests in Yang's, in which Mr. YANG was a controlling shareholder, director, and directors of certain subsidiaries.
Affluent Splendid Investment Holdings Limited ("Affluent")	Property investment in the PRC	Mr. YANG had certain indirect interests in Affluent, in which Mr. YANG was a controlling shareholder and director.
Zhongshan Danan	Property investment and development in the PRC	Mr. YU was a controlling shareholder.
GREATER BAY AREA DYNAMIC GROWTH HOLDING LIMITED ("GBA Limited) and its subsidiaries	Hotel business in the PRC	Mr. WONG was an executive director of GBA Limited.
Value Creation Finance Limited	Money lending business in Hong Kong	Mr. WONG was a director.

The above-mentioned businesses have been either managed by the management and administration teams of the respective private companies, or managed by other property developer outsourced to provide management and administration services to respective private companies, which are independent of the management and administration of the Group. Besides, the independent non-executive Directors will assist in monitoring the operation of the Group. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of the above-mentioned private companies.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and will avoid any potential conflicts of interest and duty. The Board comprises three independent non-executive Directors, all of them are audit committee members of the Company. Hence, the interest of the Company's shareholders can be adequately represented.

Other than as disclosed above, none of the Directors are considered to have interests in the business which competed or is likely to compete with the business of the Group pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Directors are entitled to grant of options under Share Option Scheme of the Company. Save for the aforesaid, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement the object of which was to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN THE SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

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

Long Position in the shares of the Company and associated corporations of the Company

Name of Director	Name of Company	Capacity	*Notes*	Number of ordinary shares held	Percentage of issued ordinary shares
YANG Lijun	The Company	Held by controlled corporations	1	2,955,939,152	42.55%
	The Company	Beneficial owner		11,608,000	0.17%
YU Shunhui	The Company	Held by controlled corporations	2	3,120,651,152	44.93%

Note 1: As at 31 December 2019, All Great International Holdings Limited ("All Great") was owned as to 51% by Jade Leader International Investment Limited ("Jade Leader"), 35% by Honor Huge Investment Holdings Limited ("Honor Huge") and 14% by Ever Star International Investment Limited ("Ever Star"). Mr. Yang Lijun, an executive Director and Co-Chairman of the Board, was the sole beneficial owner of Jade Leader. Accordingly Mr. Yang Lijun was deemed to be interested in the 2,955,939,152 shares of the Company held by All Great pursuant to the SFO.

Note 2: As at 31 December 2019, All Great was owned as to 51% by Jade Leader, 35% by Honor Huge and 14% by Ever Star. Mr. Yu Shunhui, an executive Director and Co-Chairman of the Board, was the sole ultimate beneficial owner of Honor Huge and Ever Star. Mr. YU Shunhui was also directly interested in 100% issued share capital of Rising Giant Investments Limited ("Rising Giant") which held 164,712,000 shares of the Company. Accordingly Mr. Yu Shunhui was deemed to be interested in the 3,120,651,152 shares of the Company held by Rising Giant and All Great pursuant to the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executive of the Company had any interests or short positions 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 pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

PERSONS HOLDING 5% OR MORE INTERESTS

As at 31 December 2019, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in the shares of the Company:

Name of Shareholders	Capacity	*Notes*	Number of ordinary shares held	Percentage of issued ordinary shares
All Great International Holdings Limited	Beneficial owner	*3, 4*	2,955,939,152	42.55%
Jade Leader International Investment Limited	Held by controlled corporation	*3*	2,955,939,152	42.55%
Honor Huge Investment Holdings Limited	Held by controlled corporation	*4*	2,955,939,152	42.55%
LIN Rujie	Interest of Spouse	*5*	2,967,547,152	42.72%
Shirble Department Store Holdings (China) Limited	Held by controlled corporation	*6*	1,320,000,000	19.00%
YANG Xiang Bo	Held by controlled corporation	*6*	1,320,000,000	19.00%
HUANG Xue Rong	Interest of spouse	*7*	1,320,000,000	19.00%

Notes:

3. *As at 31 December 2019, All Great was owned as to 51% by Jade Leader, 35% by Honor Huge and 14% by Ever Star. Yang Lijun, an executive Director and Co-chairman of the Board, was the sole beneficial owner of Jade Leader. Accordingly Mr. Yang Lijun and Jade Leader were deemed to be interested in the 2,955,939,152 shares of the Company held by All Great pursuant to the SFO, and such number of shares had duplicated with equivalent number of shares as disclosed in note 1 to the section headed "Directors' interests in the securities and debentures of the Company and its associated corporations" above.*

4. *As at 31 December 2019, All Great was owned as to 51% by Jade Leader, 35% by Honor Huge and 14% by Ever Star. Mr. Yu Shunhui, an executive Director and Co-Chairman of the Board, was the sole ultimate beneficial owner of Honor Huge and Ever Star. Mr. Yu Shunhui and Honor Huge were deemed to be interested in the 2,955,939,152 shares of the Company held by All Great pursuant to the SFO, and such number of shares had duplicated with equivalent number of shares as disclosed in note 2 to the section headed "Directors' interests in the securities and debentures of the Company and its associated corporations" above.*

5. *Ms. Lin Rujie, spouse of Mr. Yang Lijun was deemed to be interested in the shares of the Company deemed to be interested by Mr. Yang Lijun, an executive Director and Co-chairman of the Board.*

6. *Pursuant to the disclosure of interests forms filed, (i) Mr. Yang Xiang Bo had 100% control of Xiang Rong Investment Limited, (ii) which had 100% control of Shirble Department Store Limited, (iii) which had 53.9% control of Shirble Department Store Holdings (China) Limited, the issued shares of which were listed on the Stock Exchange (stock code: 312), and (iv) which in turn had 100% control of Baoke Trading (BVI) Company Limited. Accordingly, Mr. Yang Xiang Bo and Shirble Department Store Holdings (China) Limited were deemed to be interested in such 1,320,000,000 shares of the Company.*

7. *Ms. Huang Xue Rong, spouse of Mr. Yang Xiang Bo was deemed to be interested in the shares of the Company deemed to be interested by Mr. Yang Xiang Bo.*

Report of the Directors

DIVIDEND POLICY

It is the Board's discretion to declare or recommend distribution of dividends, which depends on the financial performance, working capital requirements, future business plans and the funding requirements of the Group, external economic factors and Shareholders' interests.

SIGNIFICANT CONTRACT WITH CONTROLLING SHAREHOLDERS

The Group and the controlling shareholders of the Company did not enter into any contract of significance during the year of 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

INDEMNITY PROVISION

During the year of 2019, the Company had arranged appropriate insurance coverage in force on Director's liabilities in respect of potential legal liabilities against them.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the annual report save for the deviations as disclosed in the Corporate Governance Report from pages 22 to 36.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 24 April 2020, being the date of this report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2019. The Audit Committee is constituted by three independent non-executive Directors.

AUDITOR

The consolidated financial statements for the year were audited by CCTH CPA Limited who will retire and being eligible, offer itself for re-appointment as the auditor of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board
YANG Lijun
Co-Chairman

Hong Kong, 24 April 2020

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independency. The board (the "Board") of directors (the "Directors") of the Company believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

In light of the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Board has reviewed the corporate governance practices of the Company with the adoption of the various enhanced procedures which are detailed in this report. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2019, except for certain deviations as specified with considered reasons for such deviations as explained below.

Code Provisions A.6.7

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, two (2) executive Directors and one (1) independent non-executive Director did not attend the annual general meeting of the Company (the "AGM") held on 28 May 2019. However, there were one (1) non-executive Director and two (2) independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the Shareholders.

Code Provision E.1.2

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting.

Due to other business engagements, Mr. YANG Lijun, chairman of the Board ("Mr. YANG") (redesignated as Co-Chairman on 29 August 2019) did not attend the AGM held on 28 May 2019. However, Ms. CHAN Hoi Ling, an independent non-executive Director took the chair of the AGM. Chairmen of Audit Committee and Remuneration Committee were present thereat to be available to answer any question to ensure effective communication with the Shareholders.

BOARD

During the year of 2019, the Board comprised eight Directors in total, with four executive Directors, one non-executive Director and three independent non-executive Directors ("INEDs"). The composition of the Board during the year of 2019 was set out as follows:

Executive Directors	YANG Lijun *(Co-Chairman) (redesignated on 28 August 2019)* YU Shunhui *(Co-Chairman) (appointed on 28 August 2019)* YU Kam Hung *(resigned on 1 November 2019)* WAN Jianjun *(resigned on 14 January 2019, reappointed on 15 April 2019 and resigned on 2 December 2019)*
Non-executive Director	WONG Kui Shing, Danny *(redesignated on 1 February 2019. Prior to redesignation, he was an Executive Director and Chief Executive Officer)*
INEDs	CHAN Hoi Ling SO Wai Lam SUNG Yat Chun

During the year, the INEDs provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and Committee meetings.

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or is accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

The Company has received from each INED an annual confirmation or confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent. The INEDs are explicitly identified in all corporate communications. The day-to-day running of the Company is delegated to the management.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, nine Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board Committees" of this report.

The Board has reserved for its decision or consideration of matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial related matters. The Board has delegated the day-to-day responsibility to the executive Directors and the management.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. At least a 14 days' notice period for a regular Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The company secretary assists the chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comments before being tabled at the following Board meeting for approval. All minutes are kept by the company secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company ("Articles of Association") also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the company secretary. The Board and each Director also have separate and independent access to the Company's senior management.

Directors, upon reasonable request, may seek independent professional advice in appropriate circumstances at the Company's expenses to perform their duties to the Company.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Companies Ordinance/Act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the year ended 31 December 2019.

Name of Directors	Reading regulatory updates	Attending training/ briefings/ seminars/ conference relevant to Directors' duties
Executive Directors		
YANG Lijun *(Co-Chairman)* (redesignated on 29 August 2019)	✓	–
YU Shunhui *(Co-Chairman)* (appointed on 29 August 2019)	✓	✓
YU Kam Hung (resigned on 1 November 2019)	✓	–
WAN Jianjun (resigned on 14 January 2019, reappointed on 15 April 2019 and resigned on 2 December 2019)	✓	–
Non-executive Director		
WONG Kui Shing, Danny (redesignated on 1 February 2019. Prior to redesignation, he was an Executive Director and Chief Executive Officer)	✓	–
INEDs		
CHAN Hoi Ling	✓	✓
SO Wai Lam	✓	✓
SUNG Yat Chun	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

During the year ended 31 December 2019, Mr. YANG Lijun and Mr. YU Shunhui were the Co-Chairman of the Board. Mr. WAN Jianjun resigned as Executive Director on 14 January 2019 and was reappointed as Executive Director and Chief Executive Officer on 15 April 2019, who then resigned as Executive Director and Chief Executive Officer on 2 December 2019.

Code Provisions A.2.1 to A.2.9

Under code provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer should be segregated and assumed by two different Individuals to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. Code provisions A.2.2 to A.2.9 of the CG Code further stipulate various roles and responsibilities of the Chairman.

The Chairman of the Board provides leadership and is responsible for the effective performance of the Board at strategic level whereas the Chief Executive Officer of the Group focuses on the Group's business development, daily management and operations, and implementation of strategies and policies laid down by the Board. The responsibilities between the Chairman and the Chief Executive Officer are clearly established and set out in writing so as to maintain a balance of power and authority.

After Mr. WAN's resignation on 2 December 2019, the Company did not have Chief Executive Officer. It is the Board's intention to appoint a new Chief Executive Officer once a suitable person is selected.

NON-EXECUTIVE DIRECTORS

Under code provision A.4.1 of the CG Code, all non-executive directors should be appointed for a specific term, subject to re-election.

During the year of 2019, other than 3 INEDs, the Company had one non-executive Director whose term of appointment was one year subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

During the year of 2019, all the INEDs were appointed for a specific term of 1 year but were subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee, a Nomination Committee and an Executive Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the company secretary, are circulated to all Board members and the committees are required to report to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned in the section headed "The Board" of this report, have been adopted for the committee meetings so far as practicable.

The individual attendance record of each Director at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee and general meetings during the year ended 31 December 2019 are set out below:

	Number of meetings attended/held					
Name of Directors	Board	Remuneration Committee	Audit Committee	Nomination Committee	Chairman and INEDs	AGM
Executive Directors:						
YANG Lijun *(Co-Chairman)* (redesignated on 29 August 2019)	9/9	–	–	–	1/1	0/1
YU Shunhui *(Co-Chairman)* (appointed on 29 August 2019)	3/3	–	–	–	–	–
YU Kam Hung (resigned on 1 November 2019)	7/7	–	–	–	–	1/1
WAN Jianjun (resigned on 2 December 2019)	6/6	–	–	–	–	0/1
Non-executive Director:						
WONG Kui Shing, Danny (redesignated on 1 February 2019)	9/9	–	–	–	–	1/1
INEDs						
CHAN Hoi Ling	9/9	3/3	3/3	2/2	1/1	1/1
SO Wai Lam	9/9	3/3	3/3	2/2	1/1	1/1
SUNG Yat Chun	8/9	2/3	3/3	2/2	0/1	0/1

Remuneration Committee

The Remuneration Committee has been established since August 2005. During the year of 2019, the Remuneration Committee consisted of three members, including Ms. SO Wai Lam (Chairman of the Remuneration Committee), Ms. CHAN Hoi Ling and Mr. SUNG Yat Chun, all being the INEDs.

The Board has adopted a set of terms of reference of the Remuneration Committee, which accommodates a model where the Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management only.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive directors and senior management. It takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

The terms of reference of the Remuneration Committee has been published on both the websites of the Company and the Stock Exchange, which will be revised from time to time subsequent to any changes to the policies, authorities, duties and responsibilities of the Remuneration Committee or when there is any new requirements of the CG Code of the Listing Rules become effective.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. Three Committee meetings were held in 2019 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Remuneration Committee meetings, the Remuneration Committee also dealt with matters by way of written resolutions during 2019. In 2019 and up to the date of this report, the Remuneration Committee performed the works as summarised below:

(i) assessed performance of executive Directors;

(ii) reviewed the existing policy and structure for the remuneration of Directors;

(iii) reviewed the existing remuneration packages of the executive Directors and senior management;

(iv) reviewed remuneration packages of newly appointed Directors and recommended such for the Board's approval;

(v) reviewed the existing remuneration package of the INEDs; and

(vi) reviewed and recommended the remuneration packages for the renewal of the terms of appointment of the INEDs for one year commencing from January 2020 for the Board's approval.

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 13 to the consolidated financial statements.

Audit Committee

The Audit Committee has been established since March 1999. During the year of 2019, the Audit Committee consisted of three members, including Ms. CHAN Hoi Ling (Chairman of the Audit Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun, all being the INEDs.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or financial management related expertise.

The main responsibilities of the Audit Committee are to review the financial statements and the auditors' reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor's remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the overseeing the financial reporting system and internal control procedures and their effectiveness.

The terms of reference of the Audit Committee has been published on both the websites of the Company and the Stock Exchange, which will be revised from time to time subsequent to any changes to the policies, authorities, duties and responsibilities of the Audit Committee or when there is any new requirements of the CG Code of the Listing Rules become effective.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Three Committee meetings were held in 2019 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Audit Committee meetings, the Audit Committee also dealt with matters by way of written resolutions during 2019. In 2019 and up to the date of this report, the Audit Committee performed the works as summarised below:

(i) reviewed and recommended 2018 final results, audit findings and draft final results announcement for the Board's approval;

(ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;

(iii) considered the auditor's remuneration for the year of 2019;

(iv) reviewed and recommended 2019 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;

(v) reviewed the adequacy of resources, qualifications and experience of the Company's accounting staff and financial reporting function, and the training programmes and budget; and

(vi) reviewed the effectiveness of the Group's risk management and internal control systems and recommended the Report on the Risk Management and Internal Control for the Board's approval.

Nomination Committee

The Nomination Committee has been established since 1 April 2012. During the year of 2019, the Nomination Committee consisted of three members, including Mr. SUNG Yat Chun (Chairman of the Nomination Committee), Ms. SO Wai Lam and Ms. CHAN Hoi Ling, all being the INEDs.

DIRECTOR NOMINATION POLICY

The Nomination Committee shall take into account the following in the course of nomination, appointment and removal of Directors, and make recommendation to the Board whenever they consider appropriate.

1. To review the structure, size and composition (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. To identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;

3. To consider potential candidates on merit against criteria such as academic qualification, working experience, skills and knowledge with due regard for the Board succession and Board diversity perspective; and

4. To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer, after taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate.

The Nomination Committee would make recommendations to the Board for consideration on nominations, appointment and re-appointment of directors. The consideration of a proposed director candidate involves the assessment of the merits, academic qualification, working experience, skills and knowledge of the candidate from board succession and board diversity perspective.

The Company appreciates the importance of a diverse team of board members, which is crucial to maintain a high quality of directors team.

The Nomination Committee shall formulate the nomination policy, review the size, structure and composition of the Board, and assess the independence of its INEDs in accordance with the prescribed criteria of the CG Code.

The terms of reference of the Nomination Committee has been published on both the websites of the Company and the Stock Exchange, which will be revised from time to time subsequent to any changes to the policies, authorities, duties and responsibilities of the Nomination Committee or when there is any new requirements of the CG Code of the Listing Rules become effective.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. Two Committee meetings were held in 2019 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Nomination Committee meetings, the Nomination Committee also dealt with matters by way of written resolutions during 2019. In 2019 and up to the date of this report, the Nomination Committee performed the works as summarised below:

(i) reviewed and recommended for the Board's approval the proposed resolutions for re-election of the retiring directors at 2019 Annual General Meeting;

(ii) reviewed the structure, size, composition and the diversity policy of the Board and assessed the independence of each INED; and

(iii) reviewed and recommended for the Board's approval on the appointment/reappointment of executive Directors and renewal of the terms of appointment of the INEDs for one year commencing from 1 January 2020.

Executive Committee

The Executive Committee has been established since February 2013. During the year of 2019, the Executive Committee consisted of two members, including Mr. YANG Lijun (Chairman of the Committee) and Mr. YU Shunhui, both being executive Directors and Co-chairman of the Board.

The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee. The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group and may also deal with matters by way of circulation. The Executive Committee plays a complementary role to undertake and supervise the day-to-day management of the Group and is empowered:

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

There was no Executive Committee meeting held in the year 2019 as most of the day-to-day operation and management decisions were vested in and approved by the Board.

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

(i) to develop and review the Company's policies and practices and make recommendation to the Board on corporate governance matters;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

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

(iv) to develop, review and monitor the code of conduct applicable to employees and directors; and

(v) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

In 2019, there were four Board meetings held to deal with corporate governance functions such as review of periodic management accounts and internal controls of the Group.

Board Diversity Policy

On 28 August 2013, the Board has adopted a board diversity policy (the "Policy") that sets out the Company's approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Details of the Policy can be found on the Company's website at www.tfginternationalgroup.com.

For the year ended 31 December 2019, the Board had two female members out of six members. The Board is characterised by diversity whether considered in terms of gender, professional background, knowledge and skills.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry to the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code during the year.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and the holding companies who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibilities of the preparation of the financial statements of the Group in accordance with statutory requirements and applicable accounting standards, and to report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the Group's ability to continue preparing the accounts on a going concern basis. The Board also ensure the timely publication of the financial statements of the Group.

The statement of external auditor of the Company, CCTH CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

The Board confirms that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue preparing the financial statements on the assumption that the Group will continue as a going concern.

Risk Management and Internal Control

The Board acknowledges its responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems to evaluate the risks that the Company is willing to take in achieving the Company's objectives, and safeguard the Group's assets at all times. Such 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 Group's risk management framework consists of the Board, the Audit Committee and the senior management of the Group. The Board would (1) determine and identify the risks that would have material impact on the achievement of strategies and business objectives of the Group, (2) evaluate the effectiveness of the Group's risk management and internal control systems to monitor the operation of controls, (3) monitor the status of compliance with rules, laws and regulations such as compliance with Listing Rules, and (4) provide directions in identifying, evaluating and managing significant risks. The review of the risk management and internal control systems of the Group was through the engagement of external audit professional with the support of the Audit Committee on an ongoing basis pursuant to code provision C.2. The review would be conducted annually and cover each of the twelve months of the year. A risk management and internal control review report will be submitted to the Audit Committee and the Board for review once a year.

The Company did not have its in-house internal audit function. The Board is of the view that there is no immediate need to set up an internal audit department of the Group because of the size, nature and complexity of the Group's business.

In 2019, the Board, through the engagement of external audit professional with the support of the Audit Committee, had evaluated the internal control system of the Group. Apart from that, there was a review of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and the training programmes and budget by the Audit Committee in the year of 2019. A report of the review of risk management and internal control systems for the year of 2019 was submitted to the Audit Committee and the Board for review. Based on the findings of the report, the Board and the Audit Committee were not aware any material weaknesses that would have adverse impact on the effectiveness and adequacy of the risk management and internal control systems of the Group. The Board considers the risk management and internal control systems of the Group are effective and adequate.

INSIDE INFORMATION

The Group provides general guidance to the Directors, the management and relevant staff to handle inside information and to ensure that the dissemination of inside information to the public is in an equal and timely manner according to the relevant laws and regulations.

Control measures implemented to ensure:

- The access of information is restricted to a limited number of employees on a need-to-know basis.
- Confidentiality agreements are in place when the Company enters into significant negotiations.
- Unauthorized access and use of inside information are strictly prohibited.
- The Directors, the management and relevant staff who are authorised to access to inside information be aware of the responsibilities to safeguard and preserve information confidentiality, and prohibited to abuse or misuse of such information.

- The Directors, the management and relevant staff who accessed to inside information are prohibited to abuse or misuse of such information.

External Auditors' Remuneration

The fees in respect of audit and non-audit services provided by the external auditors to the Group for the year ended 31 December 2019 is set out below:

		HK$'000
Types of services		
Audit fees to the auditors of the Group	— for current year	887
	— under provision for previous years	–
Taxation services and others		–
Total		887

Company Secretary

Mr. WOO Chung Ping ("Mr. WOO") is the company secretary of the Company. His biography is depicted on page 11. All Directors have access to the advices and services of the Company Secretary. The Company Secretary is responsible for advising the Board on corporate governance matters and is responsible for ensuring that board procedures are followed and communications among Directors, shareholders and management and facilities. During the year ended 31 December 2019, Mr. WOO attended over 15 hours of relevant professional training to update his skills and knowledge to meet the training requirement set out in Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Communication Policy

The Board has adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders including:

(i) corporate communications such as annual reports, interim reports and circulars which are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.tfginternationalgroup.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;

(iv) Annual General Meeting ("AGMs") and extraordinary general meetings ("EGMs") provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's share registrars' serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

Details of the Last General Meeting

The Company's annual general meeting is a valuable forum for the Board to communicate directly with the Shareholders. Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting. Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, Mr. Yang Lijun, Chairman of the Board ("Mr. Yang") (redesignated as Co-Chairman on 29 August 2019) did not attend the AGM held on 28 May 2019. The Board delegated this Chairman's duty to Ms. Chan Hoi Ling, an INED to take the chair of the AGM. Chairmen of Audit Committee and Remuneration Committee were present thereat to take a balanced understanding of the views of shareholders and be available to answer any question to ensure effective communication with the Shareholders.

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

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting (EGM)

Pursuant to the Articles of Association, the Board shall, on the requisition of the members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an EGM.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong, and may consist of several documents in like form, each signed by one or more requisitionists.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

A meeting convened under the Articles of Association by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

Procedures for Putting forward Proposals at a General Meeting

Pursuant to the Articles of Association, it shall be the duty of the Company, on the requisition in writing of such number of members as is specified in Articles of Association and (unless the Company otherwise resolves) at the expense of the requisitionists:

(a) to give to members entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to members entitled to have notice of any General Meeting of any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such resolution shall be given, any such statement shall be circulated, to members of the Company entitled to have notice of the meeting sent to them, and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in accordance with the provisions of the Statutes.

Shareholders of the Company may make written enquiries to the Board, either by post or by facsimile, together with his/her/its contact details, such as postal address or fax, addressing to the principal place of business of the Company at Flat 403 and 405, 4/F., Kowloon City Plaza, 128 Carpenter Road, Kowloon City, Kowloon, Hong Kong or facsimile number (852) 3188 6631.

Procedures for Proposing a Person for Election a Director

As regards the procedure for proposing a person for election as a Director, please refer to the procedures made available under the "Corporate Governance" section ("Procedure for election of Directors" sub-section) of the Company's website at www.tfginternationalgroup.com.

Procedures for Directing Shareholders' Enquiries to the Board

Enquiries of shareholders can be sent to the Company either by email at finance@tfginternationalgroup.com (for finance matters) and/or cosec@tfginternationalgroup.com (for company secretarial matters) or by post to the Company's principle place of business at Flat 403 and 405, 4/F., Kowloon City Plaza, 128 Carpenter Road, Kowloon City, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Corporate Governance Report

INVESTOR RELATIONS

The Company considers effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business. The Company endeavors to maintain an on-going dialogue with shareholders and particularly, through annual general meeting and other general meetings. The website of the Company at www.tfginternationalgroup.com has provided an effective communication platform to the public and the shareholders. There was no change of the Company's Memorandum and Articles of Association during the year of 2019.

CORPORATE GOVERNANCE ENHANCEMENT

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

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF
TFG International Group Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of TFG International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 123, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

Recoverability of trade receivables

Refer to Note 29 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
At 31 December 2019, the Group's gross trade receivables are HK$90,547,000, of which impairment losses amounted to HK$86,961,000 had been recognised up to that date. Assessment of the recoverability of trade receivables involved management judgment of the allowance for doubtful debts for trade receivables. The ability of the debtors to repay the Group depends on customer-specific and market conditions which involve inherent uncertainty. We have identified recoverability of trade receivables as a key audit matter due to the magnitude of the receivables and the estimation and judgments involved in the determination of the recoverable amounts of these receivables.	Our procedures in relation to management's impairment assessment on trade receivables included: — We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts. — We assessed the classification and accuracy of individual balances in trade receivables ageing report by testing the underlying invoices on a sample basis. — We assessed subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluate the allowance for doubtful debts made by management for these individual balances. — We assessed the historical accuracy of the estimates made by the management for the allowance for doubtful debts. — We assessed the appropriateness of the expected credit loss positioning methodology, by examining the key data inputs on a sample bases, to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit loss.

Impairment assessment of property, plant and equipment, right-of-use assets and licensing rights

Refer to Note 17, Note 18 and Note 22 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
At 31 December 2019, the carrying amounts of the Group's property, plant and equipment, right-of-use assets and licensing rights are approximately HK$268,256,000, HK$52,146,000 and HK$15,842,000 respectively. Substantially all of these assets are attributable to the Group's hotel business in the People's Republic of China. Management conducted impairment assessment of the tangible and intangible assets attributable to the hotel business based on the fair value less costs of disposal of the Group's hotel property, by reference to the valuation carried out by an external valuer. We identified impairment assessment of these tangible and intangible assets as a key audit matter due to the magnitude of these assets and the estimation and judgments involved in the impairment assessment.	Our procedures in relation to the impairment assessment on property, plant and equipment, right-of-use assets and licensing rights attributable to the hotel business included: — We obtained an understanding of the management's basis of impairment assessment of the related assets. — We evaluated the external valuer's independence, competence, capabilities and objectivity. — We assessed the methodologies used by the management and external valuer for the estimation of the recoverable amount of the Group's hotel property. — We checked, on a sample basis, the accuracy and relevance of the data and information provided by management to the external valuer.

Impairment assessment of properties under development

Refer to Note 21 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the carrying amount of the Group's properties under development is approximately HK$506,399,000 which are stated at cost. Management of the Group has performed impairment assessment on the properties under development, which is based on recoverable amount by reference to their estimated sales prices valued by the external property valuer. We identified the impairment assessment of the Group's properties under development as a key audit matter due to the significant judgments involved in the determination of the recoverable amount of the properties and the significance of their carrying amount to the consolidated financial statements.	Our procedures in relation to the impairment assessment of the properties under development included: — We obtained an understanding of the management assessment of impairment of the properties under development. — We evaluated the independence, competence, capabilities and objectivity of the external property valuer. — We obtained an understanding of the valuation process and techniques adopted by the external property valuer to assess if they are consistent with industry norms. — We made enquiry of the external property valuer to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management and the external property valuer by comparing them, on a sample basis, to publicly available information of similar comparable properties and our knowledge of the real estate industry.

Impairment of properties held for sale under development

Refer to Note 25 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
At 31 December 2019, the carrying amounts of the properties held for sale under development is HK$688,752,000. Recoverability of these properties held for sale under development is based on management judgment of net realisable value of the properties. We have identified the impairment of the properties held for sale under development as a key audit matter due to the magnitude of the properties and the management judgments involved in the estimation of the net realisable value.	Our procedures in relation to the impairment assessment of the properties held for sale under development included: — We obtained an understanding of the design, implementation and operating effectiveness of key internal controls around the property development cycle with particular focus on controls over cost budgeting and periodic review, sources of impairment assessment data and calculation of impairment provisions. — For construction costs to be incurred for properties under development, we assessed the reasonableness of the latest budgets of total construction costs and checked, on a sample basis, the construction costs to supporting documents. — For the forecast of future sales, we compared the expected sale prices of properties, on a sample basis, to the contracted sales price of the properties with comparable locations and conditions, where applicable. — We checked the reasonableness and calculation of the net realisable value of the properties prepared by the management.

Independent Auditor's Report

Valuation of investment properties

Refer to Note 20 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the carrying amount of the Group's investment properties is HK$18,400,000. All of the Group's investment properties are stated at fair value. The fair value valuations, which were carried out by an external property valuer, are based on income capitalisation method that involve management's significant judgment of unobservable inputs. Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in Note 20 to the consolidated financial statements. We focused on the valuation of investment properties as a key audit matter due to the significance of the carrying amounts to the consolidated financial statements as a whole, combined with the significant judgments associated in the determination of the fair value.	Our procedures in relation to the valuation of the investment properties included: — We evaluated the independence, competence, capabilities and objectivity of the external property valuer; — We obtained an understanding of the valuation process and techniques adopted by the external property valuer to assess if they are consistent with industry norms; and — We made enquiry of the external property valuer to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management and the external property valuer by comparing them, on a sample basis, to where relevant, existing tenancy profiles, publicly available information of similar comparable properties and our knowledge of the real estate industry.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for 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 skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 24 April 2020

Ng Kam Fai
Practising certificate number: P06573

Unit 5–6, 7/F., Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	8	**34,466**	18,086
Cost of sales	11	**(11,106)**	(5,056)
Gross profit		**23,360**	13,030
Other income and gains	9	**4,379**	11,827
Selling expenses		**(14,405)**	(84)
Administrative and other expenses		**(91,669)**	(95,483)
Loss on change in fair value of investment properties	20	**(6,066)**	–
Impairment of property, plant and equipment	17	**(57,268)**	(28,407)
Impairment of right-of-use assets	18	**(2,203)**	–
Impairment of licensing rights	22	**(2,863)**	(1,742)
Impairment of properties held for sale under development	25	**(8,823)**	–
Impairment of trade receivables (recognised)/reversed	29	**(8,882)**	7,099
Finance costs	10	**(69,333)**	(44,539)
Share of profit of a joint venture		**–**	4,453
LOSS BEFORE TAX	11	**(233,773)**	(133,846)
Income tax credit/(expense)	12	**12,434**	(2,334)
LOSS FOR THE YEAR		**(221,339)**	(136,180)
Loss for the year attributable to:			
Owners of the Company		**(202,376)**	(122,400)
Non-controlling interests		**(18,963)**	(13,780)
		(221,339)	(136,180)
		HK cents	HK cents
LOSS PER SHARE	16		
— Basic		**(2.91)**	(1.78)
— Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
LOSS FOR THE YEAR	**(221,339)**	(136,180)
OTHER COMPREHENSIVE LOSS		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(10,057)**	(26,874)
Items that may not be subsequently reclassified to profit or loss:		
Gain on property revaluation	**–**	16,000
Income tax effect	**–**	(4,000)
	–	12,000
Total other comprehensive loss for the year, net of tax	**(10,057)**	(14,874)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(231,396)**	(151,054)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(211,300)**	(142,674)
Non-controlling interests	**(20,096)**	(8,380)
	(231,396)	(151,054)

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**268,256**	356,564
Right-of-use assets	*18*	**52,146**	–
Prepaid land lease payments	*19*	**–**	54,830
Investment properties	*20*	**18,400**	25,000
Properties under development	*21*	**506,399**	592,573
Licensing rights	*22*	**15,842**	21,628
Pledged bank balances	*24*	**989**	22,076
TOTAL NON-CURRENT ASSETS		**862,032**	1,072,671
CURRENT ASSETS			
Properties held for sale under development	*25*	**688,752**	65,612
Properties held for sale	*26*	**2,630**	2,967
Deposit for acquisition of land for development	*27*	**89,152**	299,780
Inventories	*28*	**4**	26
Trade receivables	*29*	**3,586**	5,966
Prepayments, deposits and other receivables	*30*	**38,031**	13,137
Investments in wealthy management products	*31*	**–**	6,832
Restricted bank balances	32	**35,740**	–
Cash and cash equivalents	*33*	**56,129**	54,273
TOTAL CURRENT ASSETS		**914,024**	448,593
TOTAL ASSETS		**1,776,056**	1,521,264
CURRENT LIABILITIES			
Trade payables, other payables and accruals	*35*	**200,742**	98,548
Amount due to non-controlling interest	*36*	**164,217**	164,217
Loans and borrowings — due within one year	*37*	**357,516**	13,664
Contract liabilities	*38*	**65,719**	–
TOTAL CURRENT LIABILITIES		**788,194**	276,429
NET CURRENT ASSETS		**125,830**	172,164
TOTAL ASSETS LESS CURRENT LIABILITIES		**987,862**	1,244,835

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Loans and borrowings — due after one year	*37*	**562,400**	576,250
Lease liabilities	*39*	**822**	–
Deferred tax liabilities	*40*	**30,322**	42,871
TOTAL NON-CURRENT LIABILITIES		**593,544**	619,121
NET ASSETS		**394,318**	625,714
Share capital	*42*	**69,464**	69,464
Reserves		**272,959**	484,259
Equity attributable to owners of the Company		**342,423**	553,723
Non-controlling interests		**51,895**	71,991
TOTAL EQUITY		**394,318**	625,714

YANG Lijun *Director*	**YU Shunhui** *Director*

The Notes on pages 52 to 123 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000	Property revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Capital reduction reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	67,816	738,538	–	(1,325)	191,925	19,154	(361,713)	654,395	62,833	717,228
Loss for the year	–	–	–	–	–	–	(122,400)	(122,400)	(13,780)	(136,180)
Other comprehensive income/(loss) for the year	–	–	6,600	(26,874)	–	–	–	(20,274)	5,400	(14,874)
Total comprehensive income/(loss) for the year	–	–	6,600	(26,874)	–	–	(122,400)	(142,674)	(8,380)	(151,054)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	20,443	20,443
Placing of shares	1,648	40,354	–	–	–	–	–	42,002	–	42,002
Other adjustments	–	–	–	–	–	–	–	–	(2,905)	(2,905)
At 31 December 2018	69,464	778,892	6,600	(28,199)	191,925	19,154	(484,113)	553,723	71,991	625,714
At 1 January 2019	**69,464**	**778,892**	**6,600**	**(28,199)**	**191,925**	**19,154**	**(484,113)**	**553,723**	**71,991**	**625,714**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(202,376)**	**(202,376)**	**(18,963)**	**(221,339)**
Other comprehensive income/(loss) for the year	**–**	**–**	**–**	**(8,924)**	**–**	**–**	**–**	**(8,924)**	**(1,133)**	**(10,057)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(8,924)**	**–**	**–**	**(202,376)**	**(211,300)**	**(20,096)**	**(231,396)**
At 31 December 2019	**69,464**	**778,892**	**6,600**	**(37,123)**	**191,925**	**19,154**	**(686,489)**	**342,423**	**51,895**	**394,318**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(221,339)**	(136,180)
Income tax (credit)/expense	12	**(12,434)**	2,334
Loss before tax		**(233,773)**	(133,846)
Adjustments for:			
Share of profit of a joint venture		**–**	(4,453)
Finance costs		**69,333**	44,539
Bank interest income		**(1,070)**	(3,390)
Depreciation of property, plant and equipment		**28,927**	31,121
Depreciation of right-of-use assets		**2,890**	–
Amortisation of prepaid land lease payments		**–**	1,984
Amortisation of licensing rights		**2,902**	3,166
Impairment of licensing rights		**2,863**	1,742
Impairment of property, plant and equipment		**57,268**	28,407
Impairment of trade receivables recognised/(reversed)		**8,882**	(7,099)
Impairment of right-of-use assets		**2,203**	–
Impairment of properties held for sale under development		**8,823**	–
Gain on disposal of right-of-use assets		**(114)**	–
Excess of fair value of investment properties over the carrying amount upon reclassification		**–**	(5,767)
Loss on change in fair value of investment properties		**6,066**	–
Loss on disposal of property, plant and equipment		**575**	644
Loss on early redemption of notes payable		**–**	1,852
Net foreign exchange losses		**1,118**	18,671
Operating cash flows before working capital changes		**(43,107)**	(22,429)
Increase in properties held for sale under development		**(149,007)**	(135)
Decrease in properties held for sale		**279**	–
Decrease in inventories		**22**	14
(Increase)/decrease in trade receivables		**(6,357)**	1,206
Increase in prepayments, deposits and other receivables		**(16,766)**	(2,071)
Increase in restricted bank balances		**(35,740)**	–
Increase in trade payables, other payables and accruals		**76,322**	4,727
Increase in contract liabilities		**65,719**	–
Net cash used in operating activities		**(108,635)**	(18,688)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Net cash used in operating activities		**(108,635)**	(18,688)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank and other interest income received		**1,070**	3,390
Advances to a joint venture		**–**	(7,000)
Purchase of property, plant and equipment		**(1,054)**	(5,575)
Decrease in pledged bank balances		**21,066**	22,921
Acquisition of subsidiaries	*44*	**–**	(1,809)
Deposits for acquisition of land for development refunded/(paid)		**1,724**	(299,780)
Additions to properties under development		**(185,910)**	(44,437)
Decrease/(increase) in investment in wealthy management products		**6,832**	(6,832)
Net cash used in investing activities		**(156,272)**	(339,122)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of loans and borrowings	*45*	**349,913**	509,294
Repayment of loans and borrowings	*45*	**(5,403)**	(10,476)
Payment of lease liabilities	*45*	**(889)**	–
Proceeds on issue of shares		**–**	42,002
Redemption of notes payable		**–**	(160,000)
Interest paid	*45*	**(77,254)**	(37,025)
Net cash generated from financing activities		**266,367**	343,795
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**1,460**	(14,015)
Effect of foreign exchange rate changes, net		**396**	(2,130)
Cash and cash equivalents at 1 January		**54,273**	70,418
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	*33*	**56,129**	54,273

Notes to Consolidated Financial Statements

For the year ended 31 December 2019

1. CORPORATE INFORMATION

TFG International Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office and principal place of business of the Company are located at Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands and Flat 403 and 405, 4th Floor, Kowloon City Plaza, 128 Carpenter Road, Kowloon City, Kowloon, Hong Kong respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the principal activities of the Group, comprising the Company and its subsidiaries, are properties development and hotel business in the People's Republic of China ("PRC" or "Mainland China").

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention except for investment properties and certain financial assets which have been measured at fair value.

The Company's functional currency is Renminbi ("RMB") as the operations of the Group are mainly carried out in the PRC. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

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

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property

Other than as explained below regarding the impact of HKFRS 16 "Leases", the application of other new and amended standards effective in respect of the current year had no material impact on the Group's financial position and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial positions.

HKFRS 16 LEASES

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

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

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

As a lessee

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

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities. Any difference of the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

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

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

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

(v) use hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	5,337
Less: Recognition exemption — short-term leases	(4,618)
Gross operating lease obligations at 1 January 2019	719
Discounting	(32)
Lease liabilities/other payables as at 1 January 2019	687
Analysed as:	
Current	452
Non-current	235
	687

(a) The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	HK$'000
Assets	
Increase in right-of-use assets	55,517
Decrease in prepaid land lease payments	(54,830)
Increase in total assets	687
Liabilities	
Increase in trade payables, other payables and accruals	452
Increase in lease liabilities	235
Increase in total liabilities	687

(b) Amounts recognised in the consolidated statement of financial position and consolidated statement of profit or loss

	Right of use assets HK$'000	Lease liabilities and other payables HK$'000
As at 1 January 2019	55,517	687
New leases	2,456	2,456
Depreciation charge	(2,890)	–
Interest	–	101
Payments	–	(889)
Impairment loss recognised	(2,203)	–
Disposals	(464)	(578)
Exchange realignment	(270)	(48)
As at 31 December 2019	52,146	1,729

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

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

Up to the date of approval of these consolidated financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2019 and which have not been early adopted in these consolidated financial statements.

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

1 *Effective for annual periods beginning on or after 1 January 2021.*

2 *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

3 *Effective for annual periods beginning on or after a date to be determined.*

4 *Effective for annual periods beginning on or after 1 January 2020.*

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

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs that are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company has power over the investee; the Group is exposed, or has rights, to variable returns from its involvement with the investee; and the Group has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

i the contractual arrangement with the other vote holders of the investee;

ii rights arising from other contractual arrangements; and

iii the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

(b) Joint ventures

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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

(c) Business combination and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKFRS 9 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKFRS 9, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

(e) Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises.

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

(f) Property, plant and equipment and depreciation

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

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

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

Buildings	2% to 5%
Furniture, fixtures and equipment	20% to 50%
Motor vehicles	20%

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

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

(g) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once each financial year.

The Group’s intangible asset mainly consists of licensing rights.

(h) Leases

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

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

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

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

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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

Short-term leases and leases of low-value assets

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

Right-of-Use Assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments includes:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable by the Group under residual value guarantees;

- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

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

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

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

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

The Group as lessee (prior to 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases, net of any incentives received from the lessor, are charged to the consolidated statement of profit or loss on the straight line basis over the lease terms.

Leasehold land and buildings (prior to 1 January 2019)

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

The Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income and gains due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term except for investment properties measured under fair value model.

(i) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal.

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

If a property held for sale becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Properties held for sale and properties held for sale under development" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is included in the profit or loss.

(j) Properties under development

Properties under development is stated at cost less impairment losses, if any. Cost of the properties includes purchase consideration, acquisition costs, development expenditure, interest and other direct costs attributable to such properties.

(k) Properties held for sale and properties held for sale under development

Properties held for sale and properties held for sale under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the year end date less selling expenses, or by management estimates based on prevailing market condition.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

(l) Inventories

Inventories comprising foodstuffs, beverages and other consumables are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(m) Financial instruments

Financial assets

(i) 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 Group'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 on change in fair value will either be recorded in profit or loss or other comprehensive income. For investments in equity investments 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.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(ii) Recognition and derecognition

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.

(iii) 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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

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.

Debt instruments 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. 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 recognised in the consolidated statement of profit or loss and are included in "other losses". Interest income from these financial assets is included in finance income or other income using the effective interest method.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to recognise fair value gains and losses on equity investments in other comprehensive income, 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 income when the Group's right to receive payments is established.

Where the Group elected to present equity investments at fair value through profit or loss, changes in the fair value of financial assets are recognised in the consolidated statement of profit or loss and are included in other gains/(losses).

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 55 details how the Group determines 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.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

The Group's financial liabilities at amortised cost include trade and other payables, amount due to non-controlling interests and loans and borrowings.

(ii) Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

(iii) Derecognition of financial liabilities

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

Offsetting of financial instruments

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

(n) Cash and cash equivalents

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

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

(o) Provisions

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

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

(p) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 5(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(q) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(r) Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Retirement benefits

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

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

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

For the preparation of the Group's consolidated financial statements, the assets and liabilities of group entities at end of the reporting period are translated into the presentation currency of the Company (i.e. Hong Kong dollar) at the exchange rates prevailing at the reporting date and their income and expenses for the year are translated into Hong Kong dollars at the average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

(t) Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Output method

Revenue from licensing, provision of clubhouse operating services and property agency services is recognised over time by reference to output method. Under the output method, the progress towards complete satisfaction of a performance obligation is measured, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring contract of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Input method

Revenue from sales of certain properties is recognised over time by reference to input method. Under input method, the progress towards complete satisfaction is measured, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods and services.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. For properties under development, for which revenue is recognised over time, the Group ceases to capitalise borrowing cost as soon as the properties are ready for the Group's intended sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;

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

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

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

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Useful lives of property, plant and equipment

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

Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, each a difference may impact the amortisation charges for the future years.

Impairment of trade and other receivables

The Group applies the simplified approach to provide for expected credit loss in respect of trade receivables. The provision rates are based on groupings of various debtors that have similar loss patterns and the Group's historical default rates and forward-looking information that is receivable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for expected credit loss individually. The provision for expected credit loss is sensitive to changes in estimates.

The Group uses four categories for other receivables which reflect their credit risk and how the loss provision is determined. These internal credit risk ratings are aligned to external credit ratings, where possible.

The information about the expected credit loss on the Group's trade and other receivables are disclosed in note 55.

Impairment of properties under development

Management of the Group determines on a regular basis whether the properties under development are impaired. Impairment losses on properties under development are recognised when the carrying amount of the asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair values of the properties are estimated by reference to their expected selling prices which are affected by market conditions. The value in use calculation requires the use of estimates such as the future cash flows and discount rates.

As at 31 December 2019, the carrying amount of properties under development is approximately HK$506,399,000 (2018: HK$592,573,000). No impairment loss of the properties under development has been recognised in respect of the current year (2018: Nil).

Impairment of properties held for sale under development and properties held for sale

Management assessed the recoverability of the properties held for sale under development and properties held for sale based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location. If the actual net realisable value of the underlying properties are less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material provision for impairment losses may result.

Details of the properties held for sale under development and properties held for sale are disclosed in notes 25 and 26 respectively. Impairment loss on the properties held for sale under development amounted to approximately HK$8,823,000 (2018: Nil) was recognised in profit or loss of the Group in respect of the current year and no impairment loss on the properties held for sale was recognised in profit or loss of the Group in respect of the current year (2018: Nil).

Impairment of other tangible and intangible assets

If circumstances indicate that the carrying amount of other tangible and intangible assets may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised to reduce the carrying amounts to their recoverable amounts. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. The fair value less costs of disposal is estimated by reference to comparable sales evidence and market conditions. For the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant estimates and judgments relating to level of future income and operating costs. Changes in these estimates could have significant impact on the carrying amounts of these assets and could result in additional impairment charge or reversal of impairment, if any, in future periods.

Revenue recognition

Revenue from the sale of properties with full payment in advance before the construction of respective properties are completed are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Actual outcomes in terms of total cost may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Land appreciation tax

The Group's properties in the PRC is subjected to PRC land appreciation tax. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related income tax. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

7. OPERATING SEGMENT INFORMATION

For management purposes, the Group identifies reportable segments, on the basis of the products and services, for internal reports about components of the Group that are regularly reviewed by the chief operation decision makers for the purpose of allocating resources to segments and assessing their performances. There are two reportable operating segments identified as follows:

(a) Property Development Business: Development and sales of properties and provision of ancillary services including agency and clubhouse operating service;

(b) Hotel Business: Sub-licensing rights to hotel operators and related hotel management activities.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment results represent the profit or loss earned before tax from continuing operations before taking into account interest income from bank deposits, unallocated other income, unallocated corporate expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the chief operation decision makers and the board of directors for the purposes of resource allocation and performance assessment.

	For the year ended 31 December					
	Property Development		Hotel Business		Total	
	2019	2018	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue						
Revenue from contracts with customers						
— recognised at a point of time	**1,593**	1,879	**–**	–	**1,593**	1,879
— recognised over time	**19,300**	1,777	**13,573**	14,430	**32,873**	16,207
Total segment revenue	**20,893**	3,656	**13,573**	14,430	**34,466**	18,086
Segment loss	**(52,608)**	(34,246)	**(85,896)**	(43,254)	**(138,504)**	(77,500)
Reconciliation:						
Other income					**1,132**	67
Bank and other interest income					**1,070**	3,390
Excess of fair value of investments properties over the carrying amount upon reclassification					**–**	5,767
Loss on change in fair value of investment properties					**(6,066)**	–
Gain on disposal of right-of-use assets					**114**	–
Other unallocated expenses					**(22,186)**	(23,632)
Loss on early redemption of notes					**–**	(1,852)
Finance costs					**(69,333)**	(44,539)
Share of profit of a joint venture					**–**	4,453
Loss before tax					**(233,773)**	(133,846)

	For the year ended 31 December					
	Property Development		Hotel Business		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**1,338,934**	977,699	**333,735**	432,129	**1,672,669**	1,409,828
Unallocated assets					**103,387**	111,436
Total assets					**1,776,056**	1,521,264
Segment liabilities	**254,140**	72,539	**14,799**	13,898	**268,939**	86,437
Unallocated liabilities					**1,112,799**	809,113
Total liabilities					**1,381,738**	895,550

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

(a) all assets are allocated to reportable segments other than investment properties, pledged bank balances, unallocated prepayments, deposits and other receivables, investment in wealthy management products, restricted bank balances and cash and bank balances.

(b) all liabilities are allocated to reportable segments other than unallocated other payables and accruals, amount due to non-controlling interest, loans and borrowings and deferred tax liabilities.

(c) management considered it appropriate to present two business segments in respect of the current year as the Other Business, which was presented as a reportable operating segment in the consolidated financial statements for the year ended 31 December 2018, is insignificant. Comparative information in respect of the prior year has been restated to conform with the current year's presentation.

Geographical information

The Group operates in two main geographical areas — Hong Kong and the PRC.

	2019 HK$'000	2018 HK$'000
REVENUE		
— Hong Kong	**–**	–
— PRC	**34,466**	18,086
	34,466	18,086
NON-CURRENT ASSETS		
— Hong Kong	**108**	931
— PRC	**860,935**	1,049,664
	861,043	1,050,595

The non-current assets above are based on the locations of the assets and excludes financial assets.

Revenue from customers contributing over 10% of the total revenue of the Group

Revenue from individual customers contributing over 10% of the total revenue of the Group is as follows:

	2019 HK$'000	2018 HK$'000
Customer A	**12,935**	12,365
Customer B	**8,099**	N/A

Revenue from Customer B for the year ended 31 December 2018 did not contribute 10% or more to the Group's revenue for that year.

8. REVENUE

Revenue represents the aggregate of income from sales of properties held for sale, sub-licensing of operating rights, clubhouse operation services rendered and property agency income is analysed as follows:

	2019 HK$'000	2018 HK$'000
Sales of properties held for sale	**11,048**	–
Licensing income	**13,572**	14,430
Clubhouse operating services income	**858**	1,879
Property agency income	**8,988**	1,777
	34,466	18,086

Disaggregated by timing of revenue recognition

	2019 HK$'000	2018 HK$'000
Revenue recognised:		
— Point in time	**1,593**	1,879
— Over time	**32,873**	16,207
	34,466	18,086

9. OTHER INCOME AND GAINS

	2019 HK$'000	2018 HK$'000
Bank interest income	**1,070**	1,041
Interest from investments in wealthy management products	**–**	639
Loan interest income	**–**	1,710
Excess of fair value of investments properties over the carrying amount upon reclassification	**–**	5,767
Gain on disposal of right-of-use assets	**114**	–
Rental income	**2,459**	1,244
Others	**736**	1,426
	4,379	11,827

10. FINANCE COSTS

	Note	2019 HK$'000	2018 HK$'000
Interest on			
Loans and borrowings		**102,219**	34,263
Lease liabilities		**101**	–
Notes payable	41	**–**	10,276
		102,320	44,539
Less: Amount capitalised on properties under development		**(32,987)**	–
		69,333	44,539

The borrowing costs have been capitalised at a rate of 13% (2018: Nil) per annum.

11. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Note	2019 HK$'000	2018 HK$'000
Cost of sales			
Cost of properties sold		**4,915**	–
Amortisation of licensing rights		**2,902**	3,166
Cost of inventories sold		**474**	897
Property agency service charges		**2,815**	993
		11,106	5,056
Depreciation of property, plant and equipment		**28,927**	31,121
Depreciation of right-of-use assets		**2,890**	–
Amortisation of prepaid land lease payments		**–**	1,984
Loss on disposal of property, plant and equipment		**575**	644
Loss on early redemption of notes	41	**–**	1,852
Minimum lease payments under operating lease in respect of land and buildings		**–**	5,916
Rental expenses for short-term leases		**5,595**	–
Auditors' remuneration		**887**	1,008
Employee benefit expenses (excluding directors' remuneration)			
— Wages and salaries		**17,205**	12,296
— Retirement benefits scheme contributions		**596**	555
Exchange losses		**3,865**	21,062

12. INCOME TAX CREDIT/(EXPENSE)

(a) No provision for Hong Kong profits tax and PRC income tax has been made in the consolidated financial statements, as the group has no profits assessable to such income tax. Subsidiaries in the PRC are subject to PRC Enterprise Income Tax at 25% (2018: 25%).

	2019 HK$'000	2018 HK$'000
Hong Kong profit tax	–	–
PRC income tax	–	–
Current tax	–	–
Deferred tax credit/(charge) *(Note 40)*	12,434	(2,334)
Income tax credit/(expense)	12,434	(2,334)

(b) The income tax credit/expense can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2019 HK$'000	2018 HK$'000
Loss before tax	(233,773)	(133,846)
Tax at statutory tax rates applicable in the respective countries (or jurisdictions)	(47,456)	(22,897)
Income not subject to tax	(2,508)	(1,615)
Expenses not deductible for tax	21,938	8,666
Utilisation of tax losses not recognised in prior years	–	(57)
Tax losses not recognised for the year	28,026	13,499
Tax effect of temporary differences previously recognised	(12,434)	4,738
Income tax credit/(expense)	(12,434)	2,334

13. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about benefits of Directors) Regulation are as follows:

	2019 HK$'000	2018 HK$'000
Fees:		
Executive directors	**4,573**	3,160
Non-executive directors	**380**	600
Independent non-executive directors	**360**	360
	5,313	4,120
Other emoluments:		
Executive directors:		
Basic salaries and allowances	**–**	–
Retirement benefits scheme contributions	**36**	30
Non-executive directors	**–**	–
Independent non-executive directors	**–**	–
	36	30
	5,349	4,150

The emoluments paid or payable to directors are as follows:

2019

Name of director	**Directors' fees HK$'000**	**Basic salaries and allowances HK$'000**	**Retirement benefits scheme contributions HK$'000**	**Total HK$'000**
Executive directors				
YANG Lijun[1]	**1,800**	**–**	**36**	**1,836**
WAN Jianjun[2]	**1,158**	**–**	**–**	**1,158**
YU Kam Hung[3]	**1,000**	**–**	**–**	**1,000**
YU Shunhui[4]	**615**	**–**	**–**	**615**
Non-executive director				
WONG Kui Shing, Danny	**380**	**–**	**–**	**380**
Independent non-executive directors				
SO Wai Lam	**120**	**–**	**–**	**120**
SUNG Yat Chun	**120**	**–**	**–**	**120**
CHAN Hoi Ling	**120**	**–**	**–**	**120**
	5,313	**–**	**36**	**5,349**

2018

Name of director	Directors' fees HK$'000	Basic salaries and allowance HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
YANG Lijun[1]	1,800	–	30	1,830
WAN Jianjun[2]	750	–	–	750
YU Kam Hung[3]	610	–	–	610
Non-executive director				
WONG Kui Shing, Danny	600	–	–	600
Independent non-executive directors				
SO Wai Lam	120	–	–	120
SUNG Yat Chun	120	–	–	120
CHAN Hoi Ling	120	–	–	120
	4,120	–	30	4,150

1 *Mr. Yang Lijun was redesignated as co-chairman with effect from 29 August 2019.*

2 *Mr. Wan Jianjun resigned as an executive director and chief executive officer with effect from 14 January 2019 and was reappointed as executive director and chief executive officer with effect from 15 April 2019, who then resigned as executive director and chief executive officer with effect from 2 December 2019.*

3 *Mr. Yu Kam Hung resigned as an executive director with effect from 1 November 2019.*

4 *Mr. Yu Shunhui was appointed as an executive director and co-chairman with effect from 29 August 2019.*

There was no arrangement under which a Director waived or agreed to waive any remuneration for the years ended 31 December 2019 and 2018. No bonus was paid to Directors for the year ended 31 December 2019 and 2018.

There was no payment of discretionary compensation or compensation for loss of office in 2019 (2018: Nil).

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2018: three) directors, details of whose remuneration are set out in Note 13 above. Details of the remuneration for the year of the remaining two (2018: two) highest paid employees who are neither a director nor a chief executive are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**3,068**	1,657
Retirement benefits scheme contributions	**36**	27
	3,104	1,684

The highest paid employees, neither a director nor a chief executive, whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
HK$Nil to HK$1,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	–

15. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year amounted to HK$416,266,000 (2018: HK$34,494,000) has been dealt with in the financial statements of the Company (Note 43).

16. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the company amounted to HK$202,376,000 (2018: HK$122,400,000), and 6,946,350,040 (2018: weighted average of 6,868,732,330) ordinary shares in issue during the year.

No diluted loss per share for both 2019 and 2018 was presented as there were no potential ordinary share in issue for both of these years.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2018	815,833	96,038	2,595	914,466
Additions	–	5,264	311	5,575
Disposals	–	–	(888)	(888)
Exchange realignment	(11,183)	(2,187)	(70)	(13,440)
At 31 December 2018	804,650	99,115	1,948	905,713
Additions	–	1,054	–	1,054
Disposals	–	(1,707)	–	(1,707)
Exchange realignment	(4,376)	(927)	(29)	(5,332)
At 31 December 2019	**800,274**	**97,535**	**1,919**	**899,728**
Accumulated depreciation and impairment:				
At 1 January 2018	400,154	94,179	1,773	496,106
Depreciation provided for the year	28,700	2,244	177	31,121
Impairment loss recognised in profit or loss	28,389	–	18	28,407
Eliminated on disposals	–	–	(244)	(244)
Exchange realignment	(4,082)	(2,105)	(54)	(6,241)
At 31 December 2018	453,161	94,318	1,670	549,149
Depreciation provided for the year	26,089	2,747	91	28,927
Impairment loss recognised in profit or loss	57,268	–	–	57,268
Eliminated on disposals	–	(1,132)	–	(1,132)
Exchange realignment	(1,843)	(872)	(25)	(2,740)
At 31 December 2019	**534,675**	**95,061**	**1,736**	**631,472**
Carrying amount:				
At 31 December 2019	**265,599**	**2,474**	**183**	**268,256**
At 31 December 2018	351,489	4,797	278	356,564

Notes:

(a) *The Group's buildings with the carrying amount of HK$265,599,000 (2018: HK$340,803,000) had been pledged to a financial institution to secure the loans granted to the Group (Notes 24 and 37).*

(b) *During the year, the Group carried out a review of the recoverable amount of the hotel buildings together with the related right-of-use assets, (note 18) (2018: prepaid land lease payments, note 19) and licencing rights (note 22) (together the "Hotel Operation Cash-generating Unit"). The recoverable amount of the Hotel Operation Cash-generating Unit as at 31 December 2019 was determined based on the fair value of the related hotel property less costs of disposal, by reference to the valuation carried out by Messrs. B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group, who are the members of The Hong Kong Institute of Surveyors.*

Valuation of the hotel property was determined using direct comparison method by reference to comparable sales evidence as available in the relevant market and, where appropriate, on the basis of capitalisation of the net rental (licensing) income with due allowance for the reversionary income potential of the hotel building, with yields from 6.25% to 6.5% over the terms approximately 6.44 years and the management's best estimates achievable assuming that the hotel is operated by market participants.

The significant inputs used in the valuation of the Group's hotel property are yield, rental/licensing income and average market unit price per square metre. In general, any significant changes in any of those inputs in isolation would result in a significantly change in the valuation amount. Specifically, an increase in the assumption used for rental/licensing income or average market unit price per square metre is accompanied by an increase in the valuation amount of the Group's hotel property. However, an increase in the assumption used for yield is accompanied by a decrease in the valuation amount of the hotel property.

Having performed a review of the recoverable amount of the Hotel Operation Cash-generating Unit on the basis of fair value less costs of disposal of the hotel property, the directors are of the view that the recoverable amount of the Cash-generating Unit is less than its carrying amount, accordingly impairment losses of HK$57,268,000 (2018: HK$28,407,000), HK$2,203,000 (2018: Nil) and HK$2,863,000 (2018: HK$1,742,000) were recognised on property, plant and equipment, right-of-use assets/prepaid land lease payments and licensing rights respectively in profit or loss in respect of the current year.

18. RIGHT-OF-USE ASSETS

	Leased land HK$'000	Leased properties HK$'000	Total HK$'000
Cost at 31 December 2018	–	–	–
Transferred from prepaid land lease payments on application of HKFRS16	54,830	–	54,830
Arising from the adoption of HKFRS 16	–	687	687
Carrying amount at 1 January 2019	54,830	687	55,517
New leases	–	2,456	2,456
Impairment loss recognised in profit or loss *(Note 17(b))*	(2,203)	–	(2,203)
Disposals	–	(464)	(464)
Depreciation provided for the year ended 31 December 2019	(1,969)	(921)	(2,890)
Exchange realignment	(226)	(44)	(270)
Carrying amount at 31 December 2019	**50,432**	**1,714**	**52,146**

The Group's leased land represent the payments for land use rights in the PRC. This leased land with the carrying amount of HK$50,432,000 as at 31 December 2019 (2018: HK$54,830,000 classified as prepaid land lease payments) had been pledged to a financial institution to secure loans (Notes 24 and 37).

As at 31 December 2019, the remaining lease terms over which depreciation to be taken up are approximately 27 years.

Leased properties represent certain of Group's office properties leased under operating lease commitments. Leases for properties are negotiated for terms ranging from one to two years. None of the leases includes contingent rentals.

Expenses have been charged to the consolidated statement profit or loss in respect of the current year as follows:

	2019 HK$'000
Depreciation of right-of use assets:	
— Leased land	**1,969**
— Leased properties	**921**
	2,890
Interest on lease liabilities	**101**
Rental expense relating to short-term leases	**5,595**

The total cash outflow for leases for the year ended 31 December 2019 is HK$6,484,000, of which HK$5,595,000 and HK$889,000 are included in operating activities and financing activities respectively.

19. PREPAID LAND LEASE PAYMENTS

	HK$'000
Cost	
At 1 January 2018	66,719
Transfer to right-of-use assets on application of HKFRS 16	–
Exchange realignment	(792)
At 31 December 2018	65,927
Transferred to right-of-use assets on application of HKFRS 16	(65,927)
At 1 January 2019 and 31 December 2019	–
Accumulated amortisation:	
At 1 January 2018	9,314
Charge for the year	1,984
Exchange realignment	(201)
At 31 December 2018	11,097
Eliminated on application of HKFRS 16	(11,097)
At 1 January 2019 and 31 December 2019	–
Carrying amount	
At 31 December 2019	–
At 31 December 2018	54,830

20. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
Investment properties on land in the PRC	**18,400**	25,000

Movements during the year are as follows:

	2019 HK$'000	2018 HK$'000
Fair value, at 1 January	**25,000**	–
Reclassified from property, plant and equipment	**–**	16,000
Reclassified from properties held for sale	**–**	9,000
Loss on change in fair value of investment properties recognised in profit or loss	**(6,066)**	–
Exchange realignment	**(534)**	–
Fair value, at 31 December	**18,400**	25,000

The Group's investment properties at 31 December 2019 represents commercial properties on leasehold land in the PRC. The investment properties are leased to third parties under operating leases, details of which are included in Note 48 to the financial statements.

The Group's investment properties are carried at fair value at 31 December 2019 as valued by B.I. Appraisal Limited respectively, being independent qualified professional valuers not connected with the Group.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Fair value measurement using			
	Quoted prices in active market (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for investment properties:				
31 December 2019	**–**	**–**	**18,400**	**18,400**
31 December 2018	–	–	25,000	25,000

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

	Investment properties 2019 HK$'000	2018 HK$'000
Carrying amount at 1 January	**25,000**	–
Reclassified from:		
— properties held for sale	**–**	9,000
— property, plant and equipment	**–**	16,000
Loss on change in fair value of investment properties	**(6,066)**	–
Exchange realignment	**(534)**	–
Carrying amount at 31 December	**18,400**	25,000

There were no transfers into and out of level 3 during the year.

Below is a summary of the valuation techniques used and key inputs to the valuation of investment properties as at 31 December 2019 and 31 December 2018.

31 December 2019

Description	Fair value at 31 December 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relation of unobservable inputs to fair value
Commercial property	HK$12,300,000	Income capitalisation method	(i) Average monthly market rent	RMB45,214 per month to RMB71,777 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	6.0%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB9,166 per square metre	The higher the market rate, the higher the fair value
Commercial property	HK$6,100,000	Income capitalisation method	(i) Average monthly market rent	RMB26,680 per month to RMB29,415 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	6.0%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB9,166 per square metre	The higher the market rate, the higher the fair value

31 December 2018

Description	Fair value at 31 December 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relation of unobservable inputs to fair value
Commercial property	HK$16,000,000	Income capitalisation method	(i) Average monthly market rent	RMB45,214 per month to RMB71,777 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	4.0%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB12,330 per square metre	The higher the market rate, the higher the fair value
Commercial property	HK$9,000,000	Income capitalisation method	(i) Average monthly market rent	RMB26,680 per month to RMB29,415 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	4.0%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB12,330 per square metre	The higher the market rate, the higher the fair value

21. PROPERTIES UNDER DEVELOPMENT

	2019 HK$'000	2018 HK$'000
Cost		
At 1 January	**592,573**	–
Acquired on acquisition of subsidiaries *(Note 44)*	**–**	518,551
Additions	**185,910**	112,442
Interest capitalised	**9,414**	–
Reclassified to properties held for sale under development *(Note 25)*	**(281,185)**	–
Exchange re-alignment	**(313)**	(38,420)
At 31 December	**506,399**	592,573

The development properties are located at Hengqin, Zhuhai City, the PRC.

22. LICENSING RIGHTS

	2019	2018
	HK$'000	HK$'000
Cost		
At 1 January	**91,971**	92,629
Exchange realignment	**(258)**	(658)
At 31 December	**91,713**	91,971
Accumulated amortisation and impairment		
At 1 January	**70,343**	65,930
Amortisation charge for the year	**2,902**	3,166
Impairment losses recognised in profit or loss	**2,863**	1,742
Exchange realignment	**(237)**	(495)
At 31 December	**75,871**	70,343
Carrying amount		
At 31 December	**15,842**	21,628

The licensing rights represent the rights granted to hotel operating rights holders to operate and manage the Group's hotel located in Maoming City, the PRC under hotel operating rights agreements.

As at 31 December 2019, the remaining useful lives of the licensing rights over which amortisation to be taken up are approximately 77 months (2018: 89 months). The useful lives of licensing rights are determined by reference to the tenure of the aforesaid hotel operating rights agreements.

During the year, management of the Group conducted an impairment assessment of the licencing rights as detailed in Note 17(b) and is of the view that an impairment of HK$2,863,000 (2018: HK$1,742,000) is required to be made in respect of the licencing rights for the current year.

23. INTEREST IN A JOINT VENTURE

	2019	2018
	HK$'000	HK$'000
Unlisted investment, at cost	**–**	–
Share of post acquisition profits and other comprehensive income	**–**	–
	–	–

Movements during the year are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	–	32,862
Share of post-acquisition profits	–	4,453
Other movement	–	574
Transferred out on acquisition of remaining equity interest not owned by the Group *(Note 44)*	–	(37,889)
At 31 December	–	–

On 30 October 2017, a wholly-owned subsidiary of the Company entered into a subscription agreement with Mr. Liu Shiyuan ("Mr. Liu"), a third party, pursuant to which the Group subscribed 50% equity interest in and made advances to Rich Source Property Holdings Limited ("Rich Source") for a consideration of HK$28.39 million and HK$146.61 million respectively. The principal asset of Rich Source is 70% equity interest in Hengqin Germany City Investment (Macau) Limited ("Hengqin Germany"), an entity incorporated in Macau, which, through its wholly-owned subsidiary, Zhuhai Hengqin Fuchangsheng Real Estate Development Limited ("Zhuhai Hengqin Fuchangsheng", an entity established in the PRC), is principally engaged in property development in the PRC.

During the year ended 31 December 2018, the Group acquired the remaining 50% equity interest in Rich Source not owned by the Group on 31 January 2018, accordingly Rich Source is regarded a subsidiary of the Company upon the acquisition. The carrying amount of the interest in Rich Source amounted to HK$37,889,000 was transferred out and formed part of the cost of the Group's investment in Rich Source.

24. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Group were pledged to banks and financial institution to secure general banking and loan facilities granted to subsidiaries of the Group.

	2019 HK$'000	2018 HK$'000
Carrying amount of the assets pledged:		
Buildings *(Notes 17(a) and 37)*	**265,599**	340,803
Right-of-use assets — leasehold land *(Notes 18 and 37)*	**50,432**	52,510
	316,031	393,313
Pledged bank balances including:		
Amount pledged to banks to secure mortgage facilities granted to purchasers of the Group's properties held for sale	**989**	1,010
Amount pledged to a bank for the issue of performance guarantee in favour of PRC local authority relating to the properties under development *(Note 21)*	**–**	21,066
	989	22,076
Aggregate carrying amount of assets pledged	**317,020**	415,389

In addition, as at 31 December 2019, all the equity interests in a subsidiary beneficially held by the Group and non-controlling shareholders were pledged to secure bank loan facilities granted to the Group (Note 37).

25. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

Movement of the properties in the PRC held for sale under development are as follows:

	2019 HK$'000	2018 HK$'000
Carrying amount at 1 January	**65,612**	69,046
Development expenditure incurred for the year	**153,643**	135
Transferred from deposits for acquisition of land *(Note 27)*	**196,478**	–
Transferred from properties under development *(Note 21)*	**281,185**	–
Interest capitalised	**23,573**	–
Transferred to cost of sales	**(4,636)**	–
Impairment loss recognised in profit or loss	**(8,823)**	–
Exchange realignment	**(18,280)**	(3,569)
Carrying amount at 31 December	**688,752**	65,612

The properties in the PRC held for sale under development are not expected to be completed within twelve months after the end of the reporting period.

During the current year, management of the Group conducted an impairment assessment of certain properties held for sale under development, which represents a land parcel in ZhongShan, the PRC, as a result of the decision taken by the Group not to proceed with property development on such land parcel and considers it appropriate to recognise impairment loss in full on such land parcel amounted to HK$8,823,000 (2018: Nil) which was charged to profit or loss of the Group in respect of the current year.

26. PROPERTIES HELD FOR SALE

	2019 HK$'000	2018 HK$'000
Properties in the PRC held for sale, at cost	**2,630**	2,967

27. DEPOSIT FOR ACQUISITION OF LAND FOR DEVELOPMENT

	2019 HK$'000	2018 HK$'000
Deposits paid for acquisition of land in the PRC for development	**89,152**	299,780

Movements during the year are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**299,780**	–
Deposits paid for acquisition of land during the year	**–**	299,780
Reclassified to properties held for sale under development upon completion of land acquisition *(Note 25)*	**(196,478)**	–
Refunded to the Group upon lapse of land acquisition	**(1,724)**	–
Reclassified to prepayments, deposits and other receivables *(Note 30)*	**(8,128)**	–
Exchange realignment	**(4,298)**	–
At 31 December	**89,152**	299,780

The balance at 31 December 2019 represents payment amounted to RMB80,000,000 (equivalent to HK$89,152,000) made to a PRC local authority for the proposed acquisition of certain land in the PRC. Under the relevant arrangements, the PRC local authority will launch land tenders where the land will be acquired by one of the tender participants at the discretion of the PRC local authority. The deposit will be refunded to the Group in the event that the land is not acquired by the Group.

28. INVENTORIES

	2019 HK$'000	2018 HK$'000
Food and beverage, at cost	**4**	26

29. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables, gross	**90,547**	85,632
Impairment loss recognised	**(86,961)**	(79,666)
	3,586	5,966

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

	2019 HK$'000	2018 HK$'000
Within 1 month	**3,586**	1,258
1–3 months	**–**	2,279
4–12 months	**–**	2,429
	3,586	5,966

Credit period normally granted to customers of the Group is 30 days.

Movements in impairment loss recognised on trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**79,666**	91,216
Impairment loss recognised/(reversed) for the year, net	**8,882**	(7,099)
Exchange realignment	**(1,587)**	(4,451)
At 31 December	**86,961**	79,666

Note: During 2017, the hotel operating rights holders defaulted in their payment of fixed monthly fee and royalty fee. The Group repeatedly made requests and demand to the hotel operating rights holders to settle all monies outstanding. On 14 March 2017, the Group instituted legal actions against the hotel operating rights holders to claim damages and other costs suffered by the Group. Accordingly, accumulated impairment losses on such receivables totalled HK$91,216,000 were made in prior years due to uncertainties about recoverability underlying the claims.

On 24 January 2018, the Group entered into a settlement agreement with one of the default hotel operating rights holders whereby the Group will receive the repayment of trade receivables amounting to RMB14.6 million by thirty (30) monthly instalments under an agreed repayment schedule. Write back of the impairment loss made has not been recognised until receipt of the trade receivable can be ascertained with reasonable certainty. During the year, the receivables from the default hotel operating right holders to the extent of HK$6,799,000 (2018: HK$7,099,000) was received by the Group, the impairment loss previously made of HK$6,799,000 (2018: HK$7,099,000) was reversed in the current year.

As at 31 December 2019, the Group had receivable amounted t o RMB14,071,000 (equivalent to HK$15,681,000) from the existing hotel operating right holder. The hotel operating right holder has been facing financial difficulties and is unable to make settlement of receivable regardless requests and demands made by the Group. As the settlement of receivable from the hotel operating right holder cannot be ascertained with reasonable certainty, management of the Group considers it appropriate to recognise impairment loss in full on the receivable amounted to HK$15,681,000 (2018: Nil).

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments and deposits paid	**2,133**	1,731
Other receivables		
— Refundable payment made to PRC local authority for guarantee of due performance of property development undertaken by the Group *(Note 27)*	**8,128**	–
— Value added tax recoverable	**24,719**	2,178
— Sundry receivables	**3,051**	9,228
	38,031	13,137

31. INVESTMENTS IN WEALTHY MANAGEMENT PRODUCTS

The wealth management products represent short-term investment fund offered by bank for potential interest return.

32. RESTRICTED BANK BALANCES

	2019 HK$'000	2018 HK$'000
Guarantee deposits for construction of pre-sold properties	**35,740**	–

In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, proceeds received by the Group from pre-sale of properties are placed with banks and these deposits with banks are only applied for the payments of property development expenses incurred for the Group's relevant property projects.

33. CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Short-term bank deposits	**–**	29,233
Cash and bank balances	**56,129**	25,040
	56,129	54,273

As at 31 December 2019, the cash and bank balances of the Group to the extent of HK$40,481,000 (2018: HK$46,620,000) were denominated in Renminbi ("RMB"). The RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The bank balances, restricted bank balances (Note 32) and pledged bank balances (Note 24) are deposited with creditworthy banks with no recent history of default.

34. LOAN RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loan receivables	**19,000**	19,000
Less: impairment loss recognised	**(19,000)**	(19,000)
	–	–

The loan receivables are unsecured, carry interest at 9% per annum and is long overdue for repayment. Impairment loss was fully recognised on the loan in prior years as the loan settlement cannot be ascertained with reasonable certainty.

35. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Trade payables:		
Property development expenditure	**117,022**	68,005
Other payables and accruals:		
Interest payable	**32,145**	7,180
Lease liabilities *(Note 39)*	**907**	–
Short term advance from third parties *(Note)*	**25,074**	–
Sundry payables and accruals	**25,594**	23,363
	200,742	98,548

Note: The short-term advances from third parties are unsecured, interest free and repayable on demand.

The following is an ageing analysis of trade payables presented based on invoice date:

	2019 HK$'000	2018 HK$'000
Within 1 month	**95,783**	68,005
1-3 months	**21,239**	–
	117,022	68,005

36. AMOUNT DUE TO NON-CONTROLLING INTEREST

The amount due to non-controlling interest is unsecured, interest free and has no fixed repayment terms.

37. LOANS AND BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans		
— secured	**143,886**	80,847
Other loans and borrowings		
— secured	**372,880**	377,740
— unsecured	**403,150**	131,327
	776,030	509,067
	919,916	589,914

	2019 HK$'000	2018 HK$'000
Loans and borrowings repayable:		
Within 1 year	**357,516**	13,664
After 1 year but within 2 years	**515,261**	522,731
After 2 years but within 5 years	**47,139**	53,519
	919,916	589,914
Less: Portion repayable within one year included in current liabilities	**(357,516)**	(13,664)
Portion not repayable within one year included in non-current liabilities	**562,400**	576,250

The bank loans carried interests at the interest rates ranged from HIBOR plus 3% to approximately 7.5% per annum. The bank loans at 31 December 2019 to the extent of HK$70,000,000 (2018: Nil) were secured by (i) pledge of all the equity interest in a subsidiary beneficially held by the Group and non-controlling shareholders (ii) guarantees given by a director of the Company, Mr Yu Shunhui; and (iii) guarantees given by a non-controlling shareholder of the subsidiary.

The remaining balance of the bank loans at 31 December 2019 of HK$73,886,000 (2018: HK$80,847,000) was secured by the Group's leasehold land and buildings located in Maoming City, the PRC with the aggregate carrying amount of HK$316,031,000 (2018: HK$393,313,000).

Other loans and borrowings carried interests at the interest rates ranged from 12% to 13%. At 31 December 2019, secured loans and borrowings amounted to HK$372,880,000 (2018: HK$377,740,000) was secured by guarantees given by a director of the Company, Mr. Yang Lijun.

38. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Contract liabilities related to sales of properties	**65,719**	–

The Group receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance of the performance under the contracts for property development and sales.

Of the contract liabilities of HK$65,719,000 (2018: Nil), HK$51,398,000 is expected to be recognised as revenue within one year and the remaining balance HK$14,321,000 over one year.

The following table shows unsatisfied performance obligations resulting from contracts with customers:

	2019 HK$'000	2018 HK$'000
Transaction price for performance obligation not satisfied or partially satisfied expected to be recognised as revenue		
— within one year	**145,594**	–
— after one year	**37,870**	–
	183,464	–

Based on the historical pattern, the directors of the Company are of the opinion that the income from licensing, and agency services are derived from services rendered for periods of one year or less. As permitted under HKFRS 15, the transaction price for these services allocated to the unsatisfied contracts is not disclosed.

39. LEASE LIABILITIES

Lease liabilities	**2019** **HK$'000**
Lease liabilities payable:	
Within one year	**907**
Within a period of more than one year but not more than two years	**702**
Within a period of more than two years but not more than five years	**120**
	1,729
Less: Amount due for settlement within twelve months included in current liabilities *(Note 35)*	**907**
Amount due for settlement after twelve months shown under non-current liabilities	**822**

40. DEFERRED TAX LIABILITIES

	2019 **HK$'000**	2018 HK$'000
Deferred tax liabilities	**(30,322)**	(42,871)

Movements in deferred tax (liabilities)/assets were as follows:

	Deferred tax (liabilities)/assets attributable to						
	Accelerated tax depreciation HK$'000	Acquisition of subsidiaries HK$'000	Surplus on property valuation HK$'000	Change in fair value of investment properties HK$'000	Sale of properties recognised over time HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2018	(33,247)	–	–	–	–	10,056	(23,191)
Excess of fair value of properties under development over carrying amount arising from acquisition of subsidiaries *(Note 44)*	–	(13,218)	–	–	–	–	(13,218)
Charged to other comprehensive income	–	–	(4,000)	–	–	–	(4,000)
Credited/(charged) to profit or loss *(Note 12(a))*	9,036	–	(1,442)	–	–	(9,928)	(2,334)
Exchange realignment	–	–	–	–	–	(128)	(128)
At 31 December 2018 and 1 January 2019	(24,211)	(13,218)	(5,442)	–	–	–	(42,871)
Credited/(charged) to profit or loss *(Note 12(a))*	13,142	–	–	1,517	(2,225)	–	12,434
Exchange realignment	(1)	–	116	–	–	–	115
At 31 December 2019	(11,070)	(13,218)	(5,326)	1,517	(2,225)	–	(30,322)

As at 31 December 2019, the Group has tax losses arising in Hong Kong of HK$49,861,000 (2018: HK$63,299,000) that are available indefinitely for offsetting against future taxable profits of the relevant Group's relevant subsidiaries in which the losses arose. The Group also had tax losses arising in the PRC of HK$37,198,000 at 31 December 2019 (2018: HK$30,234,000) that will expire in one to five years for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses, due to the unpredictability of future profit streams.

41. NOTES PAYABLE

On 31 January 2018, a subsidiary of the Company issued a non-convertible note with the principal amount of HK$160,000,000 as part of the consideration for the acquisition of the remaining 50% equity interests in a joint venture (Note 23). The note was unsecured and carried interest at 12% per annum with a maturity period of three years. In August 2018, the non-convertible note together with any accrued interests were redeemed by the Group for a total consideration of HK$160,000,000, which resulted in the loss on early redemption amounted to HK$1,852,000.

Movements of the Group's notes payable are as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**–**	–
Issue of notes for acquisition of subsidiaries *(Note 44)*	**–**	157,814
Imputed interest on notes *(Note 10)*	**–**	10,276
Interest paid	**–**	(9,942)
Cash paid by the Group for redemption	**–**	(160,000)
Loss on early redemption *(Note 11)*	**–**	1,852
At 31 December	**–**	–

42. SHARE CAPITAL

	Number of shares		**Share capital**	
	2019 **'000**	2018 '000	**2019** **HK$'000**	2018 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January and 31 December	**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	**6,946,350**	6,781,638	**69,464**	67,816
Placing of shares	**–**	164,712	**–**	1,648
At 31 December	**6,946,350**	6,946,350	**69,464**	69,464

On 22 June 2018, the Company issued, through placing, 164,712,000 ordinary shares at the issue price of HK$0.255 per share which gave rise to the gross proceeds of approximately HK$42,002,000 to increase general working capital of the Group and for the payment of partial interests and principal of the Group's borrowings.

43. FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**5,620**	5,630
	5,620	5,630
CURRENT ASSETS		
Prepayments, deposits and other receivables	**543**	–
Amounts due from subsidiaries	**458,053**	846,279
Cash and cash equivalents	**3,178**	4,343
	461,774	850,622
CURRENT LIABILITIES		
Other payables and accruals	**5,909**	3,565
Loans and borrowings	**39,300**	5,500
Amounts due to subsidiaries	**67,676**	76,412
	112,885	85,477
NET CURRENT ASSETS	**348,889**	765,145
TOTAL ASSETS LESS CURRENT LIABILITIES	**354,509**	770,775
Net assets	**354,509**	770,775
EQUITY		
Share capital	**69,464**	69,464
Reserves *(Note)*	**285,045**	701,311
Total equity	**354,509**	770,775

Note: Movements of the reserve of the Company are as follows:

	Share premium account	Capital reduction reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	738,538	191,925	(235,012)	695,451
Loss and total comprehensive loss for the year	–	–	(34,494)	(34,494)
Placing of shares	40,354	–	–	40,354
At 31 December 2018	778,892	191,925	(269,506)	701,311
Loss and total comprehensive loss for the year	–	–	(416,266)	(416,266)
At 31 December 2019	**778,892**	**191,925**	**(685,772)**	**285,045**

44. ACQUISITION OF SUBSIDIARIES

The group has not acquired any subsidiaries during the year ended 31 December 2019.

On 31 January 2018, the Group completed the acquisition of the remaining 50% equity interests in Rich Source Properties Holdings Limited (the "Rich Source") (Note 23) not owned by the Group and shareholder's loan due by Rich Source to its former shareholders. The consideration for the acquisition amounted to HK$175,000,000 which was satisfied by cash of HK$15,000,000 paid by the Group and issued by a subsidiary of the Company of a non-convertible note with principal amount of HK$160,000,000. The Group incurred costs of acquisition amounted to HK$500,000 which have been expensed and included in administrative expenses in previous financial year.

The acquisition of Rich Source is accounted for as acquisition of asset. The identifiable assets acquired and liabilities assumed are as follows:

	HK$'000
Properties under development *(Note 21)*	518,551
Prepayments, deposits and other receivables	19
Pledged bank balances	45,773
Cash and cash equivalents	13,191
Trade payables, other payables and accruals	(1,320)
Amount due to non-controlling interest	(164,217)
Deferred tax liabilities *(Note 40)*	(13,218)
Total identifiable net assets acquired	398,779
Satisfied by:	
Cash paid	15,000
Non-convertible notes payable *(Note 41)*	157,814
Equity interest previously held by the Group *(Note 23)*	37,889
Amount due by the joint venture to the Group	167,633
Non-controlling interest	20,443
	398,779

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

	HK$'000
Consideration paid in cash	15,000
Cash and cash equivalents acquired	(13,191)
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,809

Since the acquisition, Rich Source and its subsidiaries contributed revenue of HK$Nil and sustained loss of HK$28,203,000 which were included in the Group's revenue and consolidated loss for the year ended 31 December 2018 respectively.

Had the acquisition taken place at 1 January 2018, the revenue of the Group and the consolidated loss of the Group for the year ended 31 December 2018 would have been HK$18,086,000 and HK$127,546,000 respectively.

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable (included in trade payables, other payables and accruals) HK$'000	Lease liabilities HK$'000	Loans and borrowings HK$'000	Notes payable HK$'000	Total HK$'000
As 1 January 2018	–	–	96,064	–	96,064
Financing cash inflows	–	–	509,294	–	509,294
Financing cash outflows	(27,083)	–	(10,476)	(169,942)	(207,501)
Finance costs	34,263	–	–	10,276	44,539
Acquisition of subsidiaries	–	–	–	157,814	157,814
Loss on early repayment	–	–	–	1,852	1,852
Exchange realignment	–	–	(4,968)	–	(4,968)
As 31 December 2018	7,180	–	589,914	–	597,094
Adoption of HKFRS 16	**–**	**687**	**–**	**–**	**687**
As 1 January 2019	**7,180**	**687**	**589,914**	**–**	**597,781**
Financing cash inflows	**–**	**–**	**349,913**	**–**	**349,913**
Financing cash outflows	**(77,254)**	**(889)**	**(5,403)**	**–**	**(83,546)**
Finance cost	**102,219**	**101**	**–**	**–**	**102,320**
New leases	**–**	**2,456**	**–**	**–**	**2,456**
Disposals	**–**	**(578)**	**–**	**–**	**(578)**
Exchange realignment	**–**	**(48)**	**(14,508)**	**–**	**(14,556)**
As 31 December 2019	**32,145**	**1,729**	**919,916**	**–**	**953,790**

46. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018,

(a) the Group acquired certain subsidiaries for a consideration, part of which were settled by the issue of non-convertible notes as detailed in Note 44.

(b) certain properties were reclassified from property, plant and equipment and properties held for sale to investment properties (Note 20).

47. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2019 and 2018.

48. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out investment properties and part of its property in Maoming City, the PRC under a non-cancellable operating lease agreement, with lease terms from three years to fifteen years. The lease agreement requires the tenant to pay security deposit of the lease.

At 31 December 2019, the Group had total future minimum lease receivables falling due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**1,260**	1,224
In the second to fifth years, inclusive	**4,323**	4,272
After five years	**7,352**	8,672
	12,935	14,168

(b) As lessee

The Group leases certain of its office properties under operating lease commitments. Leases for properties are negotiated for terms ranging from one to two years. None of the leases includes contingent rentals.

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

	2018 HK$'000
Within one year	5,097
In the second to fifth years, inclusive	240
	5,337

49. CONTINGENT LIABILITIES

As at 31 December 2019, the Group had contingent liabilities amounting to HK$77,000 (2018: HK$94,000) in respect of the buy-back guarantee in favor of banks to secure mortgage loans facilities granted to the purchasers of the Group's properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision for loss in this respect is required to be made in the consolidated financial statements.

50. PROJECT COMMITMENTS

As at 31 December 2019, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for amounted to approximately HK$705,590,000 (2018: 667,678,000).

51. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances with related parties disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	2019 **HK$'000**	2018 HK$'000
Short-term employee benefits	**8,381**	5,778
Post-employment benefits	**72**	57
	8,453	5,835

52. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed by the shareholders of the Company at a general meeting on 8 June 2011. The purpose of the Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to participant who is any person whom the Board in its sole discretion considers eligible for the Scheme on the basis of his or her contribution to the Group (the "Participant(s)").

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any options to be granted under any other scheme must not in aggregate exceed 10% of the aggregate of the Shares in issue as at 10 June 2011 (the "Adoption Date").

With the approval of the Shareholders in general meeting, the total number of shares available for issue upon the exercise of all options to be granted under the Scheme and any other scheme under the limit as "refreshed" shall not exceed 10% of the shares in issue of the Company as at the date on which the shareholders approve the "refreshed" limit.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme shall not exceed 30% of the shares in issue from time to time. No options may be granted under the Scheme and no options may be granted under any other schemes if this will result in the limit being exceeded.

The Board may grant options to any Participant in excess of the individual limit of 1% in any 12-month period subject to the approval of the Shareholders in general meeting (with such Participant and his associates abstaining from voting). The Board shall not grant any options to any Participant which, if exercised, would result in such Participant becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including those options exercised or outstanding) in any 12-month period exceed 1% of the Shares in issue at such date.

Under the Scheme, the Directors have discretion to set a minimum period for which an option has to be held before the exercise of the subscription rights attaching thereto.

The Scheme became effective on the Adoption Date, subject to earlier termination at any time decided by the Board of Directors and approved in advance by shareholders of the Company by ordinary resolution in a general meeting. The Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options under the Scheme will be granted. As of the date of this report, the remaining life of the Scheme is approximately 14 months.

The exercise price will be determined by the Board at its absolute discretion and notified to an option holder. The minimum exercise price shall not be less than the highest of: (A) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (B) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and (C) the nominal value of the Shares. A Participant shall pay the Company HK$1.00 for the grant of an option on acceptance of an option offer within 21 days after the offer date.

During the years ended 31 December 2019 and 31 December 2018 and as of the date of this report, no options were granted, exercised, forfeited, cancelled or lapsed nor were there any option outstanding under the Scheme.

As of the date of this report, the total number of shares available for issue under the Scheme may not exceed 193,164,814 shares, which represents 10% of the shares in issue of the Company at the Adoption Date or 2.78% of the shares in issue of the Company as at 31 December 2019.

53. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2019 and 31 December 2018 are as follows:

Name of company	Place of incorporation/ registration and principal country of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company 2019	2018	Class of shares held	Principal activities
Born King Investment Holdings Limited 保皇投資控股有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	**100**	100	Ordinary	Hotel business
Bright Profit Investments Limited	British Virgin Islands/PRC	Limited liabilities company	US$50,000	**55**	55	Ordinary	Investment holding
Brilliant Wonder Global Limited 卓妙環球有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Ceneric Financial Services Limited 新嶺域財務有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$86,054,000	**100**	100	Ordinary	Investment holding
Ceneric Capital Limited 新嶺域資金有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$300,000	**100**	100	Ordinary	Money lending
Ceneric Consultant Limited 新嶺域顧問有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Ceneric Corporate Limited 新嶺域企業有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$50,000	**100**	100	Ordinary	Investment holding
Ceneric Hotel International Limited	Cayman Islands/Hong Kong	Limited liabilities company	HK$200	**100**	100	Ordinary	Investment holding
Ceneric Hotel Investments Limited	Cayman Islands/Hong Kong	Limited liabilities company	HK$200	**100**	100	Ordinary	Investment holding
Ceneric Properties Limited	British Virgin Islands/PRC	Limited liabilities company	US$2	**100**	100	Ordinary	Investment holding
Eastern Premium Limited 東溢有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Ever Point Enterprises Limited 永邦企業有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Fast Progress Corporation Limited 迅達興業有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$1	**100**	100	Ordinary	Investment holding
First Max International Limited	British Virgin Islands/PRC	Limited liabilities company	US$3	**100**	100	Ordinary	Investment holding
Good Able Investment Limited 佳祥投資有限公司	Hong Kong/PRC	Limited liabilities company	HK$250,099,325	**100**	100	Ordinary	Hotel business
Hengqin Germany City Investment (Macau) Limited 橫琴德國城投資(澳門)有限公司	Macau/PRC	Limited liabilities company	MOP1,000,000	**70**	70	Registered capital	Investment holding
Jubilation Properties Limited	British Virgin Islands/PRC	Limited liabilities company	US$50,000	**55**	55	Ordinary	Investment holding
Ling Bong Fu Shun Limited 寧邦富純有限公司	Hong Kong/PRC	Limited liabilities company	HK$10,000	**100**	100	Ordinary	Investment holding

Name of company	Place of incorporation/ registration and principal country of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company 2019	2018	Class of shares held	Principal activities
Ling Bong Fu To Limited 寧邦富濤有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$10,000	100	100	Ordinary	Investment holding
Mega Vast Development Limited 萬鵬發展有限公司	Hong Kong/PRC	Limited liabilities company	HK$1	100	100	Ordinary	Investment holding
New Stage Holdings Limited	British Virgin Islands/PRC	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Oriental Surge Limited 東濤有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Pure Proficient Limited 純通有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Quick Ridge Limited 迅嶺有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Rich Source Property Holdings Limited 富源地產控股有限公司	British Virgin Islands/PRC	Limited liabilities company	US$100,000	100	100	Ordinary	Investment holding
TFG International Hong Kong Limited 富元國際香港有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$1	100	100	Ordinary	Investment holding
Total Nation Investments Limited 國邦投資有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Vista International Hotels Limited 景星國際酒店管理有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$10	100	100	Ordinary	Investment holding
			HK$300,000	100	100	Non-voting deferred	
World China Investment Limited 漢世投資有限公司	Hong Kong/PRC	Limited liabilities company	HK$1	100	100	Ordinary	Investment holding
World Finder Limited	British Virgin Islands/PRC	Limited liabilities company	US$10,001	100	100	Ordinary	Investment holding
Worth Fame Limited 貴譽有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
中山星晨廣場房地產發展有限公司 (literally translated as "Zhongshan Morning Star Plaza Housing and Real Estate Development Limited")	PRC/PRC	Wholly foreign owned enterprise	US$2,100,000	55	55	Registered capital	Property development
中山市星晨花園會所有限公司 (literally translated as "Zhongshan Morning Star Villa Club Co., Ltd.")	PRC/PRC	Wholly foreign owned enterprise	US$1,400,000	55	55	Registered capital	Operation of clubhouses in Morning Star Villa
中山星晨花園房地產發展有限公司 (literally translated as "Zhongshan Morning Star Villa Housing and Real Estate Development Limited")	PRC/PRC	Wholly foreign owned enterprise	US$4,600,000	55	55	Registered capital	Property development

Name of company	Place of incorporation/ registration and principal country of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company 2019	2018	Class of shares held	Principal activities
茂名市華盈酒店物業管理有限公司	PRC/PRC	Wholly foreign owned enterprise	HK$10,000,000	**100**	100	Registered capital	Hotel business
中山富杰投資有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	**100**	100	Registered capital	Property development
中山富浩投資有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	**100**	100	Registered capital	Investment holding
中山卓妙房地產顧問有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	**100**	100	Registered capital	Agency service
中山市富展房地產顧問有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	**100**	100	Registered capital	Property development
珠海橫琴富昌盛實業發展有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB432,900,000	**70**	70	Registered capital	Property development
成都市富浩房地產開發有限公司	PRC/PRC	Limited liabilities company	RMB10,000,000	**100**	100	Registered capital	Property development
渭南創新富元房地產開發有限公司	PRC/PRC	Limited liabilities company	RMB10,000,000	**100**	–	Registered capital	Property development

The above table lists the subsidiaries of the Company as at 31 December 2019 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.

None of the subsidiaries had issued any debt securities as at the end of the year.

Non-wholly owned subsidiaries that have material non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by non-controlling interests:		
Bright Profit Investments Limited	**45%**	45%
Jubilation Properties Limited	**45%**	45%
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**45%**	45%
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**45%**	45%
Zhongshan Morning Star Villa Club Co., Ltd.	**45%**	45%
Hengqin Germany City Investment (Macau) Limited	**30%**	30%
珠海橫琴富昌盛實業發展有限公司*	**30%**	30%

* *珠海橫琴富昌盛實業發展有限公司 is a wholly-owned subsidiary of Hengqin Germany City Investment (Macau) Limited.*

	2019 HK$'000	2018 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Bright Profit Investments Limited	**(22)**	(28)
Jubilation Properties Limited	**(24)**	(33)
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**(4,823)**	1,884
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**(1,087)**	(578)
Zhongshan Morning Star Villa Club Co., Ltd.	**(6,462)**	(1,007)
Hengqin Germany City Investment (Macau) Limited and its subsidiary	**(6,545)**	(14,037)
Subsidiaries have immaterial non-controlling interests	**–**	19
	(18,963)	(13,780)
Accumulated balances of non-controlling interests at the reporting dates:		
Bright Profit Investments Limited	**15,240**	15,598
Jubilation Properties Limited	**25,443**	26,026
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**5,620**	10,667
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**19,720**	21,263
Zhongshan Morning Star Villa Club Co., Ltd.	**(20,575)**	(14,545)
Hengqin Germany City Investment (Macau) Limited and its subsidiary	**(455)**	6,080
Subsidiaries have immaterial non-controlling interests	**6,902**	6,902
	51,895	71,991
Bright Profit Investments Limited		
Total revenue	**–**	–
Total expenses	**(49)**	(62)
Loss for the year	**(49)**	(62)
Total comprehensive loss for the year	**(49)**	(62)
Current assets	**34,261**	35,008
Non-current assets	**–**	–
Current liabilities	**(394)**	(345)
Non-current liabilities	**–**	–
Net cash flows generated from/(used in) operating activities	**–**	5
Net increase/(decrease) in cash and cash equivalents	**–**	5

	2019 HK$'000	2018 HK$'000
Jubilation Properties Limited		
Total revenue	–	–
Total expenses	**(54)**	(73)
Loss for the year	**(54)**	(73)
Total comprehensive loss for the year	**(54)**	(73)
Current assets	**56,908**	58,153
Non-current assets	–	–
Current liabilities	**(366)**	(317)
Non-current liabilities	–	–
Net cash flows used in operating activities	**(4)**	(5)
Net decrease in cash and cash equivalents	**(4)**	(5)
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited		
Total revenue	**1,194**	6,677
Total expenses	**(11,911)**	(2,491)
Income/(loss) for the year	**(10,717)**	4,186
Total comprehensive (loss)/income for the year	**(10,157)**	4,186
Current assets	**50,508**	51,630
Non-current assets	**9,147**	9,348
Current liabilities	**(34,901)**	(35,832)
Non-current liabilities	**(1,411)**	(1,442)
Net cash flows used in from operating activities	**(1,504)**	(3,835)
Net decrease in cash and cash equivalents	**(1,504)**	(3,835)
Zhongshan Morning Star Villa Housing and Real Estate Development Limited		
Total revenue	**1,687**	990
Total expenses	**(4,102)**	(2,275)
Loss for the year	**(2,415)**	(1,285)
Total comprehensive income for the year	**(1,831)**	10,715
Current assets	**63,839**	64,330
Non-current assets	**12,958**	16,681
Current liabilities	**(29,900)**	(29,761)
Non-current liabilities	**(3,075)**	(4,000)
Net cash flows (used in)/generated from operating activities	**(105)**	141
Net (decrease)/increase in cash and cash equivalents	**(105)**	141

	2019 HK$'000	2018 HK$'000
Zhongshan Morning Star Villa Club Co., Ltd.		
Total revenue	**1,848**	3,254
Total expenses	**(16,207)**	(5,491)
Loss for the year	**(14,359)**	(2,237)
Total comprehensive loss for the year	**(14,359)**	(2,237)
Current assets	**522**	607
Non-current assets	**–**	13,007
Current liabilities	**(46,245)**	(45,937)
Non-current liabilities	**–**	–
Net cash flows generated from/(used in) operating activities	**160**	(167)
Net increase/(decrease) in cash and cash equivalents	**160**	(167)

During the year ended 31 December 2018, the Group acquired Hengqin Germany City Investment (Macau) Limited and its subsidiary, 珠海横琴富昌盛實業發展有限公司, details of which are set out in Note 44. The consolidated financial information of Hengqin Germany City Investment (Macau) Limited is as follows:

	2019 HK$'000	2018 HK$'000
Hengqin Germany City Investment (Macau) Limited and its subsidiary		
Total revenue	**8,847**	639
Total expenses	**(30,664)**	(47,430)
Loss for the year	**(21,817)**	(46,791)
Total comprehensive loss for the year	**(21,817)**	(46,791)
Current assets	**322,472**	63,832
Non-current assets	**481,336**	572,451
Current liabilities	**(718,072)**	(575,963)
Non-current liabilities	**(126,568)**	(79,709)
Net cash flows generated from operating activities	**72,585**	3,736
Net cash flows used in investing activities	**(165,889)**	(74,022)
Net cash flows generated from financing activities	**110,579**	76,471
Net increase in cash and cash equivalents	**17,275**	6,185

54. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets and financial liabilities of the Group can be categorised as follows:

	Financial assets at amortised cost HK$'000
Financial assets	
31 December 2019	
Trade receivables	**3,586**
Other receivables	**35,898**
Investments in wealthy management products	**–**
Pledged bank balances	**989**
Restricted bank balance	**35,740**
Cash and cash equivalents	**56,129**
	132,342
Financial assets	
31 December 2018	
Trade receivables	5,966
Other receivables	11,406
Investments in wealthy management products	6,832
Pledged bank balances	22,076
Restricted bank balances	–
Cash and cash equivalents	54,273
	100,553

	Financial liabilities at amortised cost HK$'000
Financial liabilities	
31 December 2019	
Trade payables, other payables and accruals	**199,835**
Amount due to non-controlling interest	**164,217**
Loans and borrowings	**919,916**
Lease liabilities	**1,729**
	1,285,697
Financial liabilities	
31 December 2018	
Trade payables, other payables and accruals	98,548
Amount due to non-controlling interest	164,217
Loans and borrowings	589,914
Lease liabilities	–
	852,679

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include trade and other receivables, investment in wealthy management products, pledged bank balances, restricted bank balances, cash and cash equivalents, trade payables, other payables and accruals, amount due to non-controlling interest, loans and borrowings and lease liabilities.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's interest rate risk arises primarily from portions of the Group's bank deposits and loans and borrowings which are carried at floating interest rates.

The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group's net borrowings (being loans and borrowings less bank deposits) is closely monitored by management.

At 31 December 2019, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group's loss before tax and equity by approximately HK$512,000 (2018: HK$46,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the non-derivative financial liabilities in existence at that date. The 1% increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2018.

Foreign currency risk

The Group has certain foreign currency monetary assets and liabilities and was exposed to foreign exchange risk rising from various kinds of currency exposures, mainly comprising United States Dollars ("USD") and Hong Kong dollars ("HK$"). The Group monitors foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 1% fluctuation in USD and a 5% fluctuation in other foreign currency exchange rates. As at 31 December 2018, a 1% and 5% decrease in HKD against USD and HKD against other foreign currencies respectively would in total result in (i) insignificant effect on the results of the Group for both of the years presented and (ii) insignificant effect (2018: insignificant effect) and a increase of HK$21,000,000 (2018: HK$15,671,000) in equity respectively.

Price risk

The Group is not exposed to equity security price risk as no equity securities were held by the Group at the end of the reporting period.

Credit risk

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-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 customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

(i) TRADE RECEIVABLES

The credit quality of the debtors is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors.

The allowance on trade receivables is analysed as follows:

	2019 **HK$'000**	2018 HK$'000
Allowance made for trade receivables		
— based on expected credit losses methodology *(note a)*	**71,280**	79,666
— additional allowance made on existing hotel operating right holder *(note b)*	**15,681**	–
Total loss allowance made for trade receivables	**86,961**	79,666

Notes:

(a) The Group applies the simplified approach to provide for expected credit losses for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

As at 31 December 2019, the loss allowance for trade receivables was determined as follows:

31 December 2019

	Receivables aged (based on invoice date)				
	0–30 days	31–90 days	91–360 days	more than 360 days	Total
Expected loss rate	0%	0%	0%	96.0%	
Gross carrying amount (HK$'000)	4,644	2,117	9,528	74,258	90,547
Loss allowance (HK$'000)	–	–	–	71,280	71,280

31 December 2018

	Receivables aged (based on invoice date)				
	0–30 days	31–90 days	91-360 days	more than 360 days	Total
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount (HK$'000)	1,258	2,279	2,429	79,666	85,632
Loss allowance (HK$'000)	–	–	–	79,666	79,666

The above expected credit losses also incorporated forward looking information.

(b) As at 31 December 2019, the Group had receivable amounted to RMB14,071,000 (equivalent to HK$15,681,000) from the existing hotel operating right holder. The hotel operating right holder has been facing financial difficulties and is unable to make settlement of receivable regardless requests and demands made the Group. As the settlement of receivable from the hotel operating right holder cannot be ascertained with reasonable certainty, management of the Group considers it appropriate to recognise impairment loss in full on the receivable amounted to HK$15,681,000 (2018: Nil).

As at 31 December 2019, the Group had a concentration of credit risk given that the top 2 customers account for 93% (2018: 93%) of the Group's total year end gross trade receivables and allowance for trade receivables amounted to HK$86,961,000 (2018: HK$79,666,000), representing approximately 96% (2018: 93%) of the gross trade receivables was made.

(ii) OTHER RECEIVABLES

The Group uses four categories for those receivables 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	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. For other receivables, management made periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. In calculating the expected credit loss rates, the Group considers historical loss rates for the other of receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2019, the internal credit rating of other receivables is performing. The Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus no loss allowance on other receivables was recognised.

(iii) CASH AT BANK AND BANK DEPOSITS

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	2019 HK$'000	2018 HK$'000
Cash and bank deposits	Baa3-Aa2	**92,727**	76,349

The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Given that significant portion of the bank deposits are placed with banks that are independently rated with high credit rating with no default history in past years, management of the Group considers that the credit risk on the bank balances and bank deposits is limited.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of financial assets and financial liabilities of the Group's continuing operations as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2019					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Trade receivables	3,586	–	–	–	3,586	3,586
Other receivables	35,898	–	–	–	35,898	35,898
Investments in wealthy management products	–	–	–	–	–	–
Pledged bank balances	–	–	–	989	989	989
Restricted bank balances	35,740	–	–	–	35,740	35,740
Cash and cash equivalents	56,129	–	–	–	56,129	56,129
	131,353	–	–	989	132,342	132,342

	2019					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables, other payables, and accruals	199,835	–	–	–	199,835	199,835
Amount due to non-controlling interest	164,217	–	–	–	164,217	164,217
Loans and borrowings	–	50,791	395,368	606,419	1,052,578	919,916
Lease liabilities	–	269	705	848	1,822	1,729
	364,052	51,060	396,073	607,267	1,418,452	1,285,697

	2018					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Trade receivables	1,258	2,279	2,429	–	5,966	5,966
Other receivables	11,406	–	–	–	11,406	11,406
Amount due from a joint venture	6,832	–	–	–	6,832	6,832
Pledged bank balances	–	–	–	22,076	22,076	22,076
Cash and cash equivalents	54,273	–	–	–	54,273	54,273
	73,769	2,279	2,429	22,076	100,553	100,553

	2018					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables, other payables, and accruals	98,548	–	–	–	98,548	98,548
Amount due to non-controlling interest	164,217	–	–	–	164,217	164,217
Loans and borrowings	–	21,455	63,950	683,404	768,809	589,914
Lease liabilities	–	–	–	–	–	–
	262,765	21,455	63,950	683,404	1,031,574	852,679

56. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values.

The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(b) Reconciliation of Level 3 fair value measurement

Reconciliation of Level 3 fair value measurement is not presented as the Group had no financial assets or financial liabilities that are measured at fair value at end of the reporting period.

57. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

58. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (31 December 2018: Nil).

59. EVENTS AFTER REPORTING DATE

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 overall financial effect of the COVID-19 outbreak cannot be reliably estimated as of the date of approval of these consolidated financial statements. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the property market, the financial position and operating results of the Group.

60. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements on pages 45 to 123 were approved and authorised for issue by the Board of Directors on 24 April 2020.

Schedule of Major Properties

As at 31 December 2019

COMPLETED PROPERTIES HELD FOR SALE

Name/location	Use	GFA for sale (sq.m.) *(ii)*	Ownership interest (%) *(iv)*
Morning Star Plaza Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/Commercial	2,106	55

PROPERTIES HELD FOR SALE UNDER DEVELOPMENT/UNDER DEVELOPMENT

Name/location	Use	Site area (sq.m.)	Expected completion dates *(ii)*	GFA for sale (sq.m.) *(ii)*	Other GFA (sq.m.) *(iii)*	Completed GFA for sale (sq.m.)	Completed Other GFA (sq.m.)	Ownership interest (%) *(iv)*
Morning Star Villa *(i)* Mu He Path Gangkouzhen Zhongshan Guangdong PRC	Residential/Commercial	151,675	–	–	–	–	–	55
German City Hengqin New District Zhuhai City Guangdong Province PRC	Research/Development	60,340	2021	49,999	95,177	–	–	70
Fuyuan Junting Ande Zhen Pidu District Chengdu City Shichuan Province PRC	Residential/Commercial	56,707	2020/2021	85,102	35,398	–	–	100

(i) *the Group has the relevant land use rights certificates, but has not obtained the requisite construction approval from 中山市城鄉規劃委員會 (Zhongshan Municipal Town and Country Planning Committee).*

(ii) *“GFA for sale” and “Expected completion dates” are derived from the Group’s internal records and estimates.*

(iii) *“Other GFA” mainly comprises areas not held for sale, car parks and ancillary facilities.*

(iv) *“Ownership interest” is based on the Group’s effective ownership interest in the respective project companies.*

Five-Year Financial Summary

The following summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out below:

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
CONTINUING OPERATIONS					
REVENUE	**34,466**	18,086	30,785	88,535	92,493
LOSS BEFORE TAX	**(233,773)**	(133,846)	(35,766)	(464,917)	(53,198)
INCOME TAX CREDIT/(EXPENSE)	**12,434**	(2,334)	(331)	70,294	6,264
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(221,339)**	(136,180)	(36,097)	(394,623)	(46,934)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from disposed subsidiaries	**–**	–	16,340	(5,782)	(5,858)
LOSS FOR THE YEAR	**(221,339)**	(136,180)	(19,757)	(400,405)	(52,792)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**(202,376)**	(122,400)	(19,770)	(398,898)	(49,491)
NON-CONTROLLING INTERESTS	**(18,963)**	(13,780)	13	(1,507)	(3,301)
	(221,339)	(136,180)	(19,757)	(400,405)	(52,792)

Five-Year Financial Summary

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(Restated)
ASSETS AND LIABILITIES					
NON-CURRENT ASSETS	**862,032**	1,072,671	546,446	547,269	923,854
CURRENT ASSETS	**914,024**	448,593	318,218	156,214	163,865
ASSETS ATTRIBUTABLE TO DISPOSED SUBSIDIARIES	**–**	–	–	6,218	4,880
CURRENT LIABILITIES	**(788,194)**	(276,429)	(28,932)	(117,444)	(39,011)
NON-CURRENT LIABILITIES	**(593,544)**	(619,121)	(118,504)	(35,253)	(467,257)
LIABILITIES ATTRIBUTABLE TO DISPOSED SUBSIDIARIES	**–**	–	–	(17,839)	(10,738)
NET ASSETS	**394,318**	625,714	717,228	539,165	575,593
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**342,423**	553,723	654,395	479,868	511,457
NON-CONTROLLING INTERESTS	**51,895**	71,991	62,833	59,297	64,136
TOTAL EQUITY	**394,318**	625,714	717,228	539,165	575,593