北京建設 BPHL

BEIJING PROPERTIES (HOLDINGS) LTD

(incorporated in Bermuda with limited liability)

Stock Code: 925

Annual Report 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. QIAN Xu *(Chairman)*
Mr. SIU Kin Wai *(Chief Executive Officer)*
Mr. ZHAO Jiansuo
Mr. DONG Qilin
Mr. LI Changfeng
Mr. CHENG Ching Fu *(Chief Financial Officer)*
Mr. YU Luning
Mr. NG Kin Nam
Mr. LI Shuping (resigned on 6 January 2020)
Mr. ANG Renyi (resigned on 8 October 2019)

Independent Non-Executive Directors

Mr. GOH Gen Cheung
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui
Mr. XIE Ming

AUDIT COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui
Mr. XIE Ming

INVESTMENT AND RISK MANAGEMENT COMMITTEE

Mr. QIAN Xu *(Chairman)*
Mr. SIU Kin Wai *(Vice Chairman)*
Mr. DONG Qilin
Mr. LI Changfeng
Mr. CHENG Ching Fu

NOMINATION COMMITTEE

Mr. James CHAN *(Chairman)*
Mr. GOH Gen Cheung
Mr. QIAN Xu
Mr. YU Luning
Mr. SONG Lishui
Mr. XIE Ming

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. YU Luning
Mr. James CHAN
Mr. SONG Lishui
Mr. XIE Ming

COMPANY SECRETARY

Mr. CHENG Ching Fu

STOCK CODE

925

AUTHORIZED REPRESENTATIVES

Mr. QIAN Xu
Mr. SIU Kin Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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18 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2511 6016
Fax: (852) 2598 6905

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton, HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Ernst & Young

WEBSITE

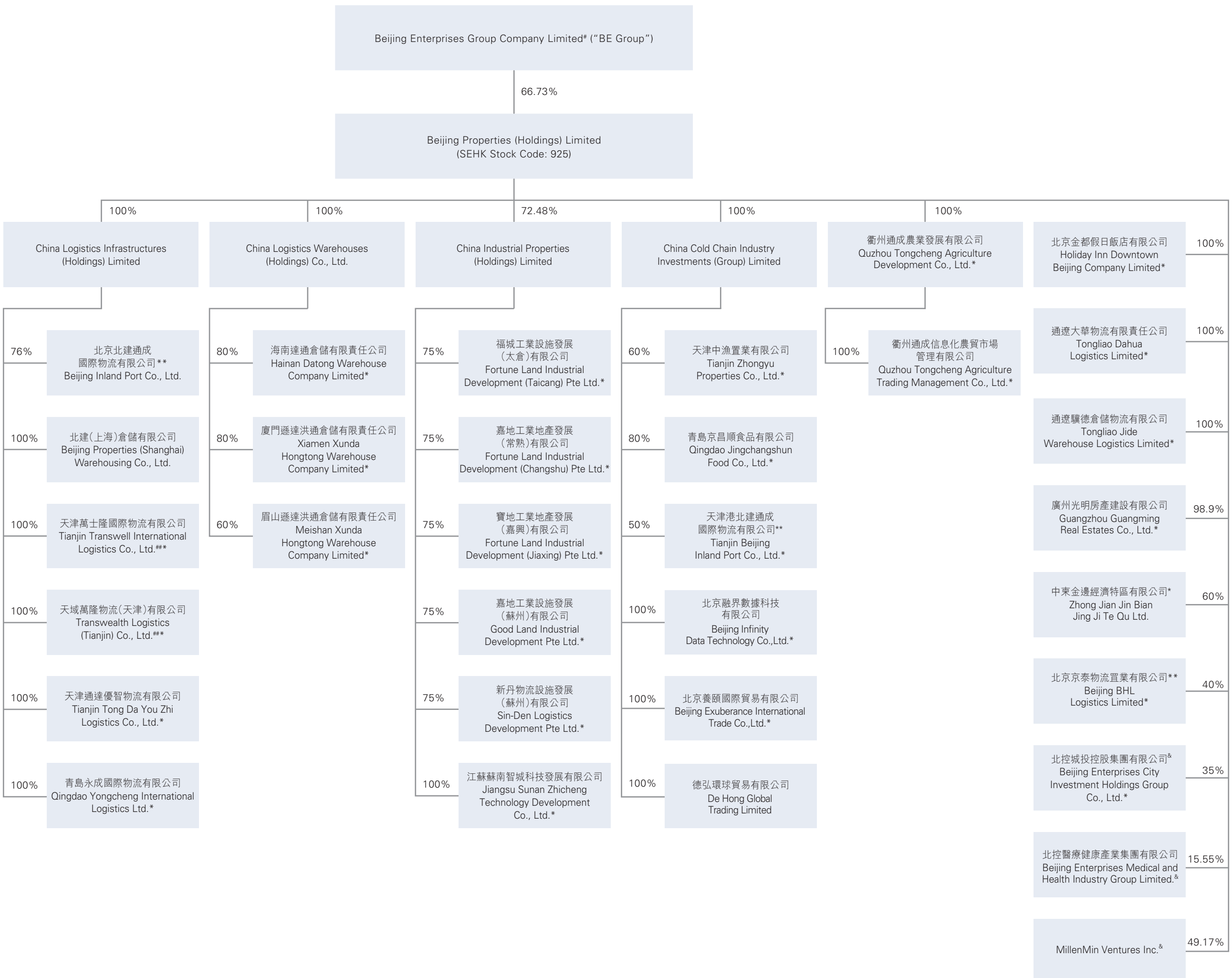
www.bphl.com.hk

PRINCIPAL BANKERS

China CITIC Bank International Ltd
Shanghai Pudong Development Bank Co., Ltd
China Everbright Bank Co. Ltd.
Taipei Fubon Commercial Bank Co. Ltd
Industrial and Commercial Bank of China Limited

GROUP STRUCTURE

As at 30 March 2020



BE Group indirect held 66.73% of the issued share capital of Beijing Properties (Holdings) Limited (the "Company") through its wholly-owned subsidiaries

* *For identification purpose only*

** *Joint venture*

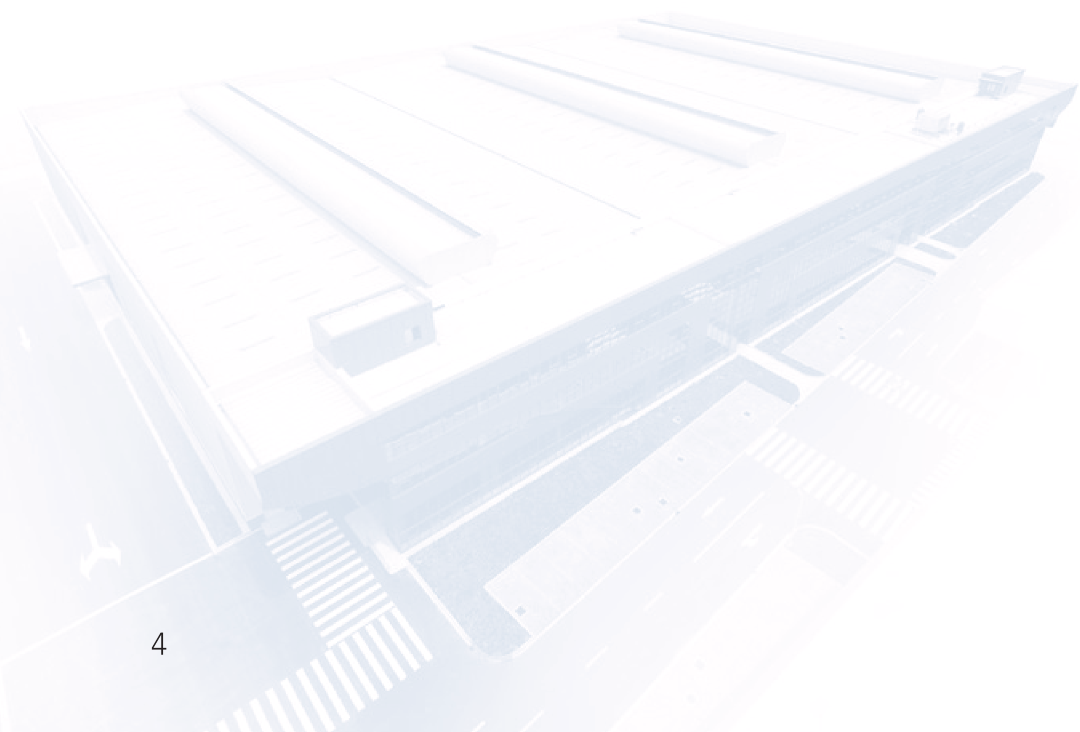
& *Associate*

Out of 100% equity interest, 30% equity interests are held directly by the Company and 70% equity interest are held by China Logistics Infrastructures (Holdings) Limited

FINANCIAL HIGHLIGHTS

	2019 **HK$'000**	2018 HK$'000
Revenue	**692,657**	480,705
Profit/(loss) before tax	**(268,055)**	316,529
Profit/(loss) for the year	**(417,099)**	100,200
Loss attributable to shareholders of the Company	**(504,191)**	(23,677)
Loss per share		
– basic (HK dollars)	**(7.23 cents)**	(0.34 cent)
– diluted (HK dollars)	**(7.23 cents)**	(0.34 cent)

	2019 **HK$'000**	2018 HK$'000
Total asset	**18,324,182**	18,321,421
Equity attributable to shareholders of the Company	**3,210,134**	3,930,578
Total equity	**5,181,998**	6,570,230
Cash and bank balances	**1,008,046**	1,820,360
Net gearing ratio (times)	**133.69%**	90.34%



CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors, I hereby present the annual results of Beijing Properties (Holdings) Limited (the "Group") for 2019.

In the past, the Group focused on asset-heavy investments. As a result, a significant portion of our funds has been locked up and our gearing ratio was relatively high. During the year, the impact of the U.S.-China trade war on the Group continued to snowball. Consequently, the Group encountered higher average cost of capital as well as a slowdown in the increase in asset value, resulting in a substantial drop in our operating results for the year. Nonetheless, we are confident that the dawn is coming. In fact, the Group successfully issued US$600 million of bonds in February 2020 at a favourable interest rate of 5.95%, representing a drop of over 30% as compared to 9% of the previous issue. Furthermore, the Group always strives to sell its matured assets in order to establish a business model with productive cash cycle. The preparation for such sales has been completed in early 2020. All that we need is an opportunity to arise. We believe that a shift from the asset-heavy business model, coupled with a drop in our finance costs, will help us achieve sustainable improvement in our results and resume profitability.

Although the sudden outbreak of COVID-19 is taking its toll in 2020, the pandemic also opens up new opportunities. The Group will seize such opportunities by fighting for the resumption of operation while shouldering its corporate social responsibility and safeguarding the lives of its staff. We wish everyone good health.

Thank you!

QIAN Xu
Chairman

30 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2019, the Group recorded a consolidated loss attributable to the shareholders of the Company of approximately HK$504.19 million, as compared to the consolidated loss attributable to the shareholders of the Company of approximately HK$23.68 million recorded for the year ended 31 December 2018.

BUSINESS REVIEW

The Group is the only Hong Kong-listed company engaged in property-related business under Beijing Enterprises Group Company Limited ("BE Group"), the ultimate controlling company of the Group. The Group positions itself as a professional property developer that engages in logistics, cold chain, industrial and commercial industries, primary land development and other fields. As a developer, our profit is primarily generated from two sources: (1) our daily operations, such as rental income from our general warehouses and cold storages, hotels, shopping malls and agricultural markets, income from the treatment and processing of inventories at our general warehouses and cold storages, and financial income generated by trade; and (2) the disposal of developed and mature properties and developed land.

The business model of the Group is designed to: (1) make investment in the early stage of a project; (2) add value to the project once the development has been completed; (3) sell the mature project at a satisfactory price. Cash recovered from the disposal of such projects is used to: (1) repay project development loans so as to lower ongoing finance costs and increase profit; (2) reinvest in new projects to create opportunities to generate profit in the future; (3) distribute appropriate investment returns to the shareholders as our investors. We believe that according to our business model, the increasing capital values of our projects, coupled with our operating profit, will ultimately deliver attractive returns to our shareholders.

Since 2009, the Group has invested large sums of capital in China and abroad to invest in and develop projects in prime locations. Along with the stable income from such projects and the steady growth of China's economy, the capital values of certain projects have grown at satisfactory rates when compared to our primary inputs. Therefore, the Group thoroughly studied and explored the disposal of certain mature logistics assets in 2019, and planned to dispose of some logistics assets and industrial properties in 2020 in order to accomplish the establishment of the Group's entire business model. These disposals will recover a significant amount of funds for the Group such that the goals of the Group's business model to reduce debt and make reinvestment and distribution can be realised. Capitalising on its own strength as a state-owned enterprise, the Group will further purchase and develop land in prime locations in order to further enhance the levels of our participation in the logistics, industrial and cold chain industries, and further consolidate our long-term profitability and model of capital gains.

The current progress of the Group's projects will be discussed in the following analysis of various business segments.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1) High-end and Modern General Warehouses

The Group has been establishing a network of modern warehouses in prime locations across China to provide the infrastructure needed by e-commerce and import and export trade of the nation. These locations include Beijing, Shanghai, Tianjin, Xiamen, Chengdu, Haikou, Tongliao, Taicang and Qingdao. Details of these warehouses are as follows:

Warehouse location	Notes	Planned and owned area (sq.m)	Operating rentable area (sq.m)	Average occupancy rate for the year ended 31 December 2019 (%)	2018 (%)
Majuqiao, Beijing*	(a)	589,410	232,384	**100**	97.36
Pudong District, Shanghai#	(b)	211,555	211,555	**76.50**	76.30
Tianjin (Tianjin Airport Economic Area of Tianjin Free-Trade Zone)#	(c)	58,617	58,617	**94.76**	96.06
Tianjin (Tianjin Port Area of Tianjin Free-Trade Zone)#	(d)	16,083	16,083	**100**	100
Tong'an District, Xiamen	(e)	92,466	92,466	**100**	95.72
Dongpo District, Meishan	(f)	97,809	97,809	**84.76**	58.75
Chengmai District, Hainan	(g)	48,702	48,702	**96.77**	79.30
Ke'erqin District, Tongliao	(h)	30,780	30,780	**50.92**	74.24
Taicang City, Jiangsu	(i)	129,887	–	**–**	–
Jiaozhou City, Qingdao	(j)	145,170	–	**–**	–
		1,420,479	788,396		

* A joint venture of the Group.

The Group has intention to sell these projects, which were therefore classified as held for sale as at 31 December 2019. Please refer to the Company's announcements dated 4 September 2019, 10 September 2019 and 29 October 2019 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1) High-end and Modern General Warehouses (Continued)

(a) Majuqiao Logistics Park is the largest investment project to be developed and operated by Beijing Inland Port Co., Ltd. ("BIPL") and the Group. It will become one of the largest comprehensive logistics parks in northern China upon completion. The whole project will be completed in five phases. BIPL obtained the land lots for Phase I and Phase II of this project on 3 November 2015. Construction works of Phase I started on 19 September 2016 while that of land lot I and land lots II & III of Phase II started on 28 February 2017 and in April 2018, respectively. The land lot of Phase I was completed in September 2018, and the total rentable area of 147,849 sq.m. of this lot has been delivered to customers for use with an occupancy rate of 100%. Land lot I of Phase II, which has a total rentable area of 84,535 sq.m., also commenced operation in November in the same year and achieved full occupancy. The construction of land lots II & III of Phase II have been completed at the end of 2019. Approximately 70% of the total rentable area of 79,044 sq.m. of these lots has already been leased to customers in 2020. Once the construction works are completed, full occupancy can be expected. Furthermore, the Group obtained the land lot for Phase III on 12 May 2017 at the minimum bidding price of RMB620 million. After obtaining the Construction Registration Certificate in late 2018, the Group has satisfied all construction requirements and commenced construction works in March 2019. As at the date hereof, the structures on ground level are completed. The commercial area under development is expected to reach 88,075 sq.m., and the construction works are expected to be completed in the fourth quarter of 2021. The Group also strives to expedite the preliminary application process of Phases IV and V. The whole project will have a total rentable area of approximately 589,410 sq.m. upon completion.

(b) The expansion of the Shanghai Free-Trade Zone and the integrated development of Yangtze River Delta have gradually ended the monopoly of the port of Shanghai in 2019. On the other hand, economic restructuring and the escalating US-China trade war led to the shrinkage and relocation of upstream production businesses on the international logistics chain. In view of the economic contraction, our existing tenants are pursuing breakthrough and transformation by gradually spreading out to central and western China as well as Southeast Asia. Notwithstanding the blow received by traditional international trade, our Shanghai warehouse sincerely retained existing customers, supported their operations and secured the renewal of leases with them by taking good care of its customers, providing solutions to their problems by fully utilising its own resources, and strengthening its strategic cooperation with local park management. Average occupancy rates for 2018 and 2019 were 76.30% and 76.50%, respectively.

(c) Our warehouse in Tianjin (Tianjin Airport Economic Area) remains the only warehouse supervised by the customs within the Tianjin Binhai International Airport area. The unique location allows the warehouse to maintain a stable occupancy rate. Within the warehouse, Phases I and II of Transwealth Logistics (Tianjin) Co., Ltd. ("Transwealth Logistics") are fully rented by SF Express with the occupancy rate remaining at 100% every year. The average occupancy rate of the warehouse of Tianjin Transwell International Logistics Co., Ltd. ("WSL Logistics") also reached 87.25% in 2019.

(d) Our warehouse in Tianjin (Tianjin Port Area) is located in the Tianjian Port Bonded Zone. This project has a total land area of 30,003 sq.m. and a gross floor area of 16,083 sq.m. The project is currently fully leased to Kerry EAS Logistics Limited Tianjin Branch with a stable growth in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1) High-end and Modern General Warehouses (Continued)

(e) The Group operates five warehouses and two auxiliary buildings in Xiamen City, Fujian Province with a total rentable area of 92,466 sq.m. These warehouses have been leased to a major player in the e-commerce industry of China, while the auxiliary buildings are rented by a local industrial company. Full occupancy has been achieved and maintained between May 2018 and December 2019.

(f) The Group operates four warehouses in Dongpo District, Meishan City of Sichuan Province with a total rentable area of approximately 97,809 sq.m. The average occupancy rate was 58.75% in 2018 and has increased to 84.76% in 2019.

(g) The Group operates two warehouses in Chengmai County, Haikou City of Hainan Province with a total rentable area of 48,702 sq.m. The average occupancy rate was approximately 79.30% in 2018 and has increased to 96.77% in 2019 following the signing of new lease contracts with a major e-commerce company and a well-known logistics company in 2019.

(h) The Group's project in Tongliao is situated in a prime location at the heart of the city with great accessibility as well as comprehensive and mature commercial infrastructure. Apart from continuing the lease of the existing warehouses, the Group may also consider to redevelop the land with its business partners for other purposes.

(i) The Sin-Den project in Taicang City, Jiangsu Province will consist of 2-story high-end modern general warehouses with an expected gross floor area of approximately 150,524 sq.m. and a rentable area of approximately 129,887 sq.m. The acquisition of the land was completed in September 2017. Construction commenced in late 2018 and is expected to be completed in September 2020. The Group believes that as the metropolitan area of Shanghai continues to grow, certain industries inevitably have to relocate. It is believed that with its prime location, this project will be leased out and will generate revenue and profit as soon as its development has been completed in the future.

(j) In March 2019, the Group has acquired a piece of land located on the west side of Jiaoda Avenue and the south side of Taohe Road in Jiaozhou Economic and Technological Development Zone, Qingdao. The total area of the land is approximately 113,428 sq.m. This project enjoys a convenient location near Jiaozhou Bay Expressway, and is only 16 km from Jiaozhou's airport, which will commence operation in the near future. Under this project, three 2-story general warehouses and one multistory cold storage in line with international standards are planned. The gross floor area is approximately 155,400 sq.m. and the rentable area is approximately 145,170 sq.m. with a total investment amount of approximately RMB650 million. Construction commenced in October 2019 and is expected to be completed by the end of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

2) Cold Chain Logistics Warehouses and Trading Business

Another development focus of the Group is to establish nationwide cold chain logistics facilities, and, on such basis, further expand its cold chain business to connect both up and down streams. The cold chain business developed by the Group mainly provides integrated logistics services for high-value imported meat and aquatic products. With the rise of China's middle-class society, the demand for quality food is growing rapidly every year. However, due to the lack of reform in the industry for some time in the past, the cold chain industry in China remains subject to high input and low digitalisation, and recorded a slow growth. Hence, no leading enterprises have emerged in the industry. This presents the Group with a great opportunity for development. The Group's cold chain business has rolled out international trade service, cold chain storage service and electronic business system development service for frozen products. Its strategic objective is to establish the best comprehensive cold chain industry service platform in the PRC to save costs and increase revenue for its customers by making full use of information technologies while eliminating financial risk of financial institutions by realising full control over inventories, information and funds along the whole chain.

Details of the current status of the cold storage business are as follows:

Warehouse location	Notes	Planned and owned area (ton)	Operating rentable storage capacity (ton)	Average occupancy rate for the year ended 31 December 2019 (%)	2018 (%)
Hangu District, Tianjin	(a)	80,000	45,000	**80.04**	82.76
Chengyang District, Qingdao	(b)	8,000	8,000	**45.92**	42.78
Tianjin Port Area of Tianjin Free-Trade Zone	(c)	45,000	–	**–**	–
		133,000	53,000		

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

2) Cold Chain Logistics Warehouses and Trading Business (Continued)

(a) Our Tianjin warehouse is positioned to serve as a cold chain logistics hub and a processing and distribution centre for aquatic products in northern China. Occupying an area of approximately 31,301 sq.m., Phase I has both cold chain storage space and freezer with a total storage capacity of approximately 45,000 tons. Phase II of the project has obtained government approval and preliminary work is in progress. It is expected to complete construction and be put into operation in 2021. When operation commences, the total storage capacity of the Tianjin cold chain warehouse will reach 80,000 tons, thereby creating a comprehensive distribution centre that encompasses cold chain storage, light processing, showroom and cold chain delivery services. As of December 2019, the cold chain warehouse of Phase I maintained full occupancy, while the freezer has not been fully occupied due to a relatively lower market demand. As a result, the combined average occupancy rate of the cold chain storage space and freezer was 80.04%, with a total of 262 customers. Since the commencement of its operation, the project has maintained sound operation and achieved stable business development.

(b) Our Qingdao cold chain warehouse is principally engaged in the operation of cold logistics storage facilities in Chengyang District of Qingdao, China. The site area and storage capacity of Phase I of this project are approximately 15,352 sq.m. and 8,000 tons, respectively. Phase II is in the planning stage and no planned capacity have been set. In the second quarter, 3 new customers were introduced through successful business promotion, resulting in a significant growth in occupancy rate. However, due to the seasonal nature of the business and relatively high delivery needs during festivals in the second half of the year, the occupancy rate fluctuated from time to time throughout the year. Capitalising on the cold chain platform, the Qingdao cold chain warehouse has commenced its international trade cold storage service to diversify its customer base and to increase its occupancy rate.

(c) Tianjin Beijing Inland Port Co., Ltd. ("Tianjin Port") is a joint venture established and held by the Group and Tianjin Port Group as to 50% each. The land of this project was obtained in February 2017, and various tasks before the commencement of construction have been launched simultaneously. Relevant procedures are being pushed through with the aim of meeting all construction requirements by the second half of 2020. The planned gross floor area is approximately 55,000 sq.m. with a total investment amount of approximately RMB590 million.

In terms of overall development, the cold chain business realised a turnover of RMB253.76 million with frozen product contracts amounting to US$54.48 million being signed during 2019. Driven by the trading business, CCII Frozen Product Industry Integration Service Platform (www.cciinet.cn), our service and trading platform on trial, is constantly improving. The core of this platform, the "Frozen Products Trading Port（凍品交易港）", has executed experimental online transactions while the corresponding mobile app has been launched. Meanwhile, we have commenced in-depth strategic cooperation with various enterprises in all segments of the cold chain. Due to the relatively large amount of investment required by cold storage development, apart from the existing Tianjin and Qingdao projects, services will be provided through cold storage partners at different locations at the present stage. Cooperation agreements have been reached with cold storage partners in, among other places, Dalian Bonded Logistics Park, Dalian Economic and Technological Development Zone, Fengxian District in Shanghai, Yangshan Free Trade Zone in Shanghai, Pudong New Area in Shanghai, Zhanjiang City in Guangdong and Yantian District in Shenzhen. A storage network across coastal cities is taking shape. Current third-party cold chain logistics service partners include the cold chain branch of JD Logistics and SF Express. Overseas logistics service providers such as Kuehne-Nagel will be enlisted soon. Supported by the recently launched international trade services and a newly developed digital system, an integrated service platform featuring the most comprehensive services and state-of-the-art technologies within the Chinese cold product industry will be established.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

3) Industrial Properties

As the metropolitan area of Shanghai continues to grow, certain existing high-end manufacturing industries in the region inevitably have to relocate. Meanwhile, high-end European and American enterprises remain eager to set up production bases in China. As a result, high-end industrial properties in the Yangtze River Delta are in high demand. Therefore, the Group commenced the industrial property business at the end of 2016 and formed several non-wholly owned subsidiaries (held by the Group as to 75%) with SSinolog (China) Holding I Pte. Ltd. from Singapore to develop high-end factories for lease in Taicang, Changshu, Suzhou, and Changzhou in Jiangsu Province, and Jiaxing in Zhejiang Province. Details of these projects are as follows:

Project location	Notes	**Planned and owned area** (sq.m)	**Operating rentable area** (sq.m)	**Average occupancy rate for the year ended 31 December** **2019** **(%)**	2018 (%)
Taicang City, Jiangsu	(a)	66,015	66,015	**100**	100
Suzhou City, Jiangsu	(b)	61,714	–	**–**	–
Jiaxing City, Zhejiang	(c)	90,113	90,113	**12.89**	–
Changshu City, Jiangsu	(d)	169,687	169,687	**21.09**	–
Changzhou City, Jiangsu	(e)	489,340	–	**–**	–
		876,869	325,815		

(a) This project was completed in July 2017 and its real estate ownership certificate was obtained in December 2017. Its rentable area has been fully leased since January 2018. Many large European and American smart manufacturing enterprises and high-end manufacturing enterprises cluster together in the area where the project is located. The project has long-term leases with steady rental growth.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

3) Industrial Properties (Continued)

(b) The land use right certificate of this project was obtained in May 2017, and its construction commenced in December 2018 and is expected to be completed in April 2020. Business promotion work is actively underway. A German new energy vehicle company has expressed its intention to move into the property. This project is situated at a prime location with great accessibility and enjoys comprehensive local government funds and policies supporting industrial development.

(c) The land use right certificate of this project was obtained in April 2017. The project has a gross floor area of 94,455 sq.m., and was completed in May 2019. Business promotion work is actively underway. As at 31 December 2019, the average occupancy rate was 12.89%. The project is in a location adjacent to Shanghai and has great accessibility. The local government provides strong support to the manufacturing industry with comprehensive industry support funds and policies in place. The concentration of European and American high-end manufacturing enterprises has generated economies of scale. Standard, high-end and customised plants have been constructed.

(d) The land use right certificate of this project was obtained in June 2016. The project has a gross floor area of 173,739 sq.m., and was completed in May 2019. Business promotion work is actively underway. As at 31 December 2019, the average occupancy rate was 21.09%. The project is in a prime location with well-planned facilities in the surrounding area. It has good accessibility in proximity to the expressway network and enjoys extensive high-quality local labour resources and ancillary facilities.

(e) The Group also invested in an industrial park headquarters project located in Tianning Economic Development Zone in Changzhou City, Jiangsu Province in January 2018. The project is planned to have a total land area of approximately 200 mu and a gross floor area of approximately 477,579 sq.m. With a total investment amount of approximately RMB2 billion, it will be developed in two phases. Construction of Phase I commenced in June 2019 and will be completed in or around March 2022, and the construction of Phase II is expected to commence in the third quarter of 2020 and be completed in or around the second quarter of 2022. A part of the gross floor area will be sold to speed up cash recovery. The project will be the first internet economic platform cluster in Tianning District, Changzhou City and will facilitate collective innovation and sustainable development of Internet+ businesses with "intelligence sharing + smart manufacturing + smart products" by integrating three core concepts, namely smart manufacturing, smart technology and smart design. It will also perform commercial, leisure and other urban functions so as to transform Jiangsu Sunan Zhicheng Technology Park into an industrial park that combine industry, city, the Internet and intelligence. The park has already signed up with Changzhou Videoworks Technology Co., Ltd.（常州網博視界科技股份有限公司）, an internet+industry high-tech enterprise, to jointly develop the "future video production base of China". The project is put on the list of key projects in Jiangsu Province in early 2020 with the official plaque to be granted in the second quarter of 2020. It was also granted the major investment project award by Tianning District, Changzhou City. In addition, the Company further acquired a piece of land with an area of 5,197 sq.m. in Changzhou City in early 2019 to be develop into a commercial centre with three levels above ground and one level of basement. The plan and design of this project are basically confirmed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

3) Industrial Properties (Continued)

Having accumulated a certain amount of experience in the investment, development and management of industrial properties, the Group is contemplating a transformation of its industry property segment. On top of asset-heavy investments and disinvestment, we will bring sustainability elements to the segment. The industrial property team of the Group has built up a brand of industrial property management and will step up cooperation with more partners, particularly local governments in the Yangtze River Delta, to provide management services in relation to project investment, design, construction, promotion and divestment in order to diversify our business and income. Meanwhile, the Group will adopt the same strategy as our logistics assets, which is to sell mature projects at reasonable prices and to realise the strategic goals of debt reduction, reinvestment and distribution.

4) Belt & Road Initiative

The Sino-Cambodian SEZ project is located in Kampong Chhnang Province, which is 65 kilometres northwest of Phnom Penh, the capital of Cambodia. It is linked to Phnom Penh by Highway 5. This project has a planned target site area of 30,000,000 sq.m. Certificate for approximately 14,868,696 sq.m. of the land has been obtained. In December 2018, the project entered into a land acquisition agreement with an independent third party to further acquire land with an area of 1,130,208 sq.m. The land certificate is currently being obtained in accordance with local Cambodian laws. After the completion of the acquisition, land held by the project will further increase to 15,998,904 sq.m. At the same time, we are proactively introducing strategic partners, and are actively conducting business negotiations. At present, the compliance control design and certain municipal designs of the project have been completed. Benefiting from preferential taxation, import and export policies offered by the Cambodian government, the SEZ covers urban functions including manufacturing and processing, logistics and commerce, technology and culture, and education and residential facilities. The project is positioned to serve Chinese enterprises under the "Belt and Road" initiative and provide Chinese businesses with a clustered integrated industrial platform. The custom, commerce, labour, taxation and other departments of the Cambodian government will set up offices to offer one-stop services to enterprises within the SEZ. The Group mainly conducts primary land development in the SEZ and sells the developed land to Chinese enterprises in order to realise returns from land transfers. It also provides management services in the industrial park so as to receive sustainable management fee income.

The Cambodian government is currently rolling out a number of policies to attract investments from foreign enterprises. Such policies aim at establishing a free and open economic system by offering equal treatment to foreign and domestic investors. In recent years, the Cambodian economy has been expanding rapidly at a GDP growth rate of 7% or above for five consecutive years. With an average age of less than 30, the population of Cambodia offers abundant manpower.

The Group believes that thanks to the stable and amicable long-term relation between China and Cambodia, as well as its effective control on land acquisition costs, the sale of such land will create fruitful returns for the Group in the future. Currently the overall project planning has been completed. The whole project will be developed in phases and funds for the development will be obtained on a rolling basis by profits from land transfers and borrowings from financial institutions. It is not expected to bring too much financial pressure to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

5) Specialised Wholesale Market

With the approval of Quzhou government authorities, Quzhou Tongcheng Agriculture Development Co., Ltd. ("Quzhou Tongcheng") has been approved to establish a modern agricultural wholesale market project including an agricultural exchange zone, which may be utilised as the new location for the existing exchange centre in the city following its relocation, as well as ancillary commercial facilities. The existing trading centre was granted the status of first class wholesaling centre for agricultural products serving a population of approximately 30 million people. The Quzhou agricultural shopping mall project will be constructed and developed in two phases. Phase I has a gross floor area of 41,282 sq.m. and was put into operation in August 2015. Phase II consists of three lots. Lots I and II have a gross floor area of 153,856 sq.m., and were put into operation in November 2017. Lot III is at the stage of design drawing optimization. As at 31 December 2019, the market, including a wholesale trading zone, a comprehensive market trading zone, a storage service zone and a public ancillary market facility zone, had a rentable area of 162,742 sq.m. The average occupancy rate of the existing area for the year 2019 was 51.09%, representing a stable growth from 48.72% for the last year.

6) Commercial Properties

(a) Guangzhou Guangming Real Estates Co., Ltd. ("Guangzhou Guangming") owns 99% interest in Metro Mall. The mall is situated in the Beijing Road shopping area, Yuexiu District of Guangzhou City in China. Metro Mall has a gross floor area of approximately 61,967 sq.m. and is an 11-story shopping centre offering one-stop dining, entertainment, shopping and cultural experience to customers. The average occupancy rate of the existing area for the year 2019 was approximately 90.42%.

(b) Holiday Inn Downtown Beijing Company Limited ("BJ Holiday Inn") is a wholly-owned subsidiary of the Group and the owner of a four-star business and leisure hotel providing 333 elegantly decorated rooms to business travellers in North Lishi Road (near Financial Street, Xicheng District), Beijing. The average occupancy rate for year 2019 was approximately 81.99%. In spite of its constant leadership in terms of occupancy rates among Holiday Inns in Beijing, this hotel contributed limited profit to the Group due to the nature of the industry. Therefore, BJ Holiday Inn entered into an agreement on 12 November 2019 to hand over the operation of the hotel to SinoHome Healthcare Holding Co., Ltd.*（北京首厚康健養老企業管理有限公司）. The hotel has discontinued its operation and was redecorated in the first quarter of 2020. Net profit of the Group under the operation agreement will increase significantly.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

7) Beijing Enterprises City Investment Holdings Group Co., Ltd. ("BE City Investment"): On 13 November 2017, the Group and certain strategic investors and a management team jointly established BE City Investment, 35% equity interest of which is held by the Group as the single largest shareholder. BE City Investment is a mixed investment holding group dominated by state-owned capital. With the core objective of investing in and consolidation of urban land resources and improving their values, BE City Investment is positioned to invest in and operate new urban infrastructures, introduce urban infrastructures and industries, and build a new industry-city integration investment operator and an integrated urban public service provider. Its principal activities cover the comprehensive investment in and development of industry-city integrated urban land projects; the comprehensive investment in and operation of old district redevelopment and urban renewal projects amid the in-depth urbanization process; and the development, construction and operation of unique towns based on cultural tourism, healthcare nursing and other business models in suburban areas around China's core cities. During 2019, BE City Investment actively established footholds in key areas under China's strategic plans, and made full use of the comprehensive strengths of its shareholders in general municipal planning, business integration, financing and technical innovations. After more than a year's planning, it has primarily created a nation-wide business model based on the development of industry-city integrated areas and the renewal of core cities, and won the contracts to carry out the largest redevelopment project for old towns, old factories and old villages in Foshan, which is a core city in the Greater Bay Area, as well as a project in relation to the comprehensive development of an industry-city integrated area in Panlong District, Kunming, which is a major city along China's "Belt and Road" initiative. With the vigorous development of this business model, the scale of operation is also expanding. Building on its projects on hand, this company will establish itself as a leading and unique comprehensive urban operation and investment group in China and realise profits from its developments as soon as possible so as to contribute considerable returns on investment to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PROSPECTS

Since our formation, the Group has invested in residential, commercial, logistics and industrial property projects. After ten years of hard work and efforts to develop in these industries, the current layout of the Group extends across logistics property businesses in northern, eastern and southern China. Through in-depth cooperation with local governments, enterprises and industry players, we have actively implemented our overall strategy. Meanwhile, the Group continued to explore business models and establish a leading comprehensive frozen product cold chain service platform in China with the help of technologies by consolidating its existing cold chain logistics facilities and resources. This platform will offer solutions to the scale and technological development of the industry and formulate a profit model comprising commission incomes from different services. We entered into several strategic cooperation agreements with Sinotrans, JD Logistics and SF Express between July and August 2019 to provide customers with quality guarantee in terms of cold delivery service. Amid severe market competition, the Group possesses unique strengths, which are mainly reflected in the following ways: as a state-owned enterprise, we enjoy advantages in accessibility to land and can thus overcome the difficulty of obtaining land; we have a stable customer base that includes sizable enterprises from diversified sectors, such as Kerry Logistics, MOL Logistics, Nippon Express, Sinotrans, SF Express, JD.com etc. To the Group, these stable customer relations represent valuable assets and provide potential tenants to new projects. In addition, we have an experienced management team, which allows us to proactively study trends, capture market opportunities and maximise the Group's competitive strengths.

The Group will keep abreast of national policies and seize development opportunities in a timely manner to further improve the strategic layout of its logistics property, industrial property and cold chain businesses across the country. We will also proactively respond to the Belt and Road initiative to expand overseas business, implement our business model that comprises the "financing, investment, management and disinvestment" stages, and actively promote asset-light development at a time of prudent operation. At the same time, we will utilise existing resources and assets to foster new sources of profit growth, achieve diversified business revenue streams, and promote the sound development of our company.

The Group has never deviated from its positioning as a professional property developer. In previous years, we have proactively invested in and nurtured quality assets on hand, and has officially started to disinvest certain projects in this year so as to complete our whole business cycle, in which profit can be realised and productive capital flows can be created, and lay the solid foundation of our long-term growth. Although the first stage of development requires longer time, our projects have gradually accumulated a noticeable aggregate value thanks to the large number of quality projects obtained over the years. It is expected that the development cycle of the Group will accelerate in coming years, thereby allowing us to achieve sustainable profit and step up our engagement in the logistics property, industrial property, cold chain and primary land development industries. The Group is confident that it can deliver satisfactory returns to each of our stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit analysis

The revenue for the year ended 31 December 2019 amounted to approximately HK$692.66 million, representing an increase of approximately HK$211.95 million or 44.09%, from approximately HK$480.71 million for the year ended 31 December 2018. The gross profit for the year ended 31 December 2019 amounted to approximately HK$312.88 million, representing a decrease of approximately HK$12.15 million, or 3.74% from approximately HK$325.03 million for the year ended 31 December 2018.

The revenue contributions of the Group's assets included:

Name of assets	2019 Revenue HK$'000	2019 GP Margin %	2018 Revenue HK$'000	2018 GP Margin %	Change Revenue HK$'000	Change GP Margin %
High-end and modern general warehouses						
Shanghai	**85,250**		87,497		(2,247)	
Tianjin	**33,271**		34,287		(1,016)	
Xiamen	**30,360**		31,509		(1,149)	
Meishan	**14,470**		14,971		(501)	
Hainan	**15,203**		15,126		77	
Tongliao	**2,433**		3,062		(629)	
	180,987	**93.07**	186,452	91.57	(5,465)	1.5
Cold chain logistics warehouses						
Tianjin	**38,144**		30,922		7,222	
Qingdao	**2,432**		2,212		220	
	40,576	**53.25**	33,134	30.72	7,442	22.53
Trading business						
Hong Kong	**6,872**		–		6,872	
Beijing	**280,985**		–		280,985	
	287,857	**0.32**	–	–	287,857	0.32
Specialised wholesale markets						
Quzhou Tongcheng	**22,733**	**59.20**	20,067	52.92	2,666	6.28

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Revenue and gross profit analysis (Continued)

Name of assets	2019 Revenue HK$'000	2019 GP Margin %	2018 Revenue HK$'000	2018 GP Margin %	Change Revenue HK$'000	Change GP Margin %
Industrial properties						
Zhejiang	**24,345**		20,121		4,224	
Jiangsu	**3,513**		–		3,513	
	27,858	**87.59**	20,121	93.85	7,737	(6.26)
Commercial properties						
Guangzhou	**38,837**		45,295		(6,458)	
Beijing	**93,809**		97,636		(3,827)	
	132,646	**63.36**	142,931	64.90	(10,285)	(1.54)
Primary land development business						
Zhong Jian Jin Bian	**–**	**–**	78,000	28.00	(78,000)	(28.00)
The Group	**692,657**	**45.17**	480,705	67.61	211,952	(22.44)

High-end and modern general warehouses

The revenue contribution of high-end and modern general warehouses for the year ended 31 December 2019 amounted to approximately HK$180.99 million, representing a decrease of approximately HK$5.46 million or 2.93% from approximately HK$186.45 million for the year ended 31 December 2018. The decrease was primarily attributable to the decrease in average occupancy rate of Tianjin and Tongliao warehouse. The gross profit margin slightly increased from approximately 91.57% for the year ended 31 December 2018 to approximately 93.07% for the year ended 31 December 2019.

Cold chain logistics warehouses

The revenue contribution of cold chain logistics warehouses for the year ended 31 December 2019 amounted to approximately HK$40.58 million, representing an increase of approximately HK$7.45 million or 22.49% from approximately HK$33.13 million for the year ended 31 December 2018. The increase was primarily attributable to the increase in inventory turnover rate which in turn increase the value-added service income.

Trading business

The revenue contribution of trading business for the year ended 31 December 2019 amounted to approximately HK$287.86 million. The gross profit margin was 0.32% for the year ended 31 December 2019. The low profit margin was due to commencement of the new business during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Specialised wholesale markets

The revenue contribution of specialised wholesale markets for the year ended 31 December 2019 amounted to approximately HK$22.73 million, representing an increase of approximately HK$2.66 million, or 13.25%, from approximately HK$20.07 million for the year ended 31 December 2018. The increase in revenue was attributable to the increase in average occupancy rate during the year.

Industrial properties

The revenue contribution of industrial properties for the year ended 31 December 2019 amounted to approximately HK$27.86 million, representing an increase of approximately HK$7.74 million or 38.47% from approximately HK$20.12 million for the year ended 31 December 2018. The sharp increase was attributable to the completion of Changshu project in Jiangsu Province and Jiaxing project in Zhejiang Province during the year.

Commercial properties

The revenue contribution of commercial properties for the year ended 31 December 2019 amounted to approximately HK$132.65 million, representing a decrease of approximately HK$10.28 million or 7.19% from approximately HK$142.93 million for the year ended 31 December 2018. The decrease was primarily attributable to the decrease of the average room occupancy rate of the hotel located in Beijing due to kick off of redecoration plan. The gross profit margin slightly decreased from approximately 64.90% for the year ended 31 December 2018 to approximately 63.36% for the year ended 31 December 2019.

Changes in fair value of investment properties, net

For the year ended 31 December 2019, net fair value gain of investment properties was approximately HK$163.04 million, the gain was mainly attributable to the fair value increment of properties located in the Quzhou, Jiangsu and Zhejiang. The increase mainly from the construction in progress turn to investment properties this year.

Other income and gains, net

For the year ended 31 December 2019, net other income and gains were approximately HK$112.80 million, which represented a decrease of approximately HK$10.43 million, or 8.46%, from approximately HK$123.23 million for the year ended 31 December 2018. The decrease in net other income and gains was primarily related to the decrease in fair value gain of a derivative financial instrument.

Selling and distribution expenses

For the year ended 31 December 2019, selling and distribution expenses were approximately HK$15 million, which represented a decrease of approximately HK$0.98 million, or 6.13%, from approximately HK$15.98 million for the year ended 31 December 2018.

Administrative expenses

For the year ended 31 December 2019, administrative expenses were approximately HK$229.81 million, which represented a decrease of approximately HK$9.46 million, or 3.95%, from approximately HK$239.27 million for the year ended 31 December 2018. The decrease in administrative expenses was primarily related to staff costs and overseas travelling expenses as the Company is carrying cost control during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Other expenses

For the year ended 31 December 2019, other expenses were approximately HK$96.00 million, which represented an increase of approximately HK$58.40 million, or 155.32%, from approximately HK$37.60 million for the year ended 31 December 2018. The increase in other expenses was primarily related to the impairment of an associate of HK$77.89 million.

Finance costs

For the year ended 31 December 2019, finance costs were approximately HK$498.64 million, representing an increase of approximately HK$8.28 million, or 1.69%, from approximately HK$490.36 million for the year ended 31 December 2018. The increase in finance costs was mainly due to the net effect of the interest on bank and other loans of approximately HK$191.02 million (2018: approximately HK$161.23 million) and the interest on USD guaranteed bonds of approximately HK$307.62 million (2018: approximately HK$329.13 million).

Share of profits of joint ventures

For the year ended 31 December 2019, the share of profits of joint ventures of approximately HK$82.57 million was mainly contributed by BIPL. The decrease in sharing profits of joint ventures for 2019 compared to 2018 was primarily related to the decrease in fair value increment in investment properties of BIPL.

Share of profits and losses of associates

For the year ended 31 December 2019, the share of losses of associates of approximately HK$99.89 million was mainly contributed by share the results of Beijing Enterprises Medical and Health Industry Group Limited ("BE M&H"), a listed company on The Stock Exchange of Hong Kong Limited and BE City Investment.

Income tax expense

Income tax expense for year ended 31 December 2019 included current income tax of HK$36.84 million. Deferred tax expense for the year ended 31 December 2019 was HK$112.20 million which arose from the change in the fair value of investment properties.

Investment properties

Investment properties decreased by approximately HK$1,757.62 million, which was mainly due to the net effect of (i) the construction of warehouse for logistics and industrial property business of HK$739.48 million; (ii) the increase in fair value of HK$163.04 million for the year ended 31 December 2019; and (iii) the transfer of HK$2,435.19 million to assets of disposal group classified as held for sale.

Goodwill

Goodwill represented the acquisition in previous years for logistics warehouse business and commercial property business. The decrease in balance was mainly due to the transfer of goodwill to assets of disposal group classified as held for sale.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Interests in joint ventures

Interests in joint ventures increased by approximately HK$20.23 million, which was mainly due to the net effect of (i) share of profits of HK$82.57 million for the year ended 31 December 2019; (ii) capital injection to BIPL of HK$116.76 million; (iii) acquisition of Beijing BHL Logistics Limited ("BBHL Logistics") of HK$82.91 million; and (iv) repayment of loans granted to BIPL of HK$201.89 million.

Investments in associates

Investments in associates decreased by approximately HK$193.13 million, mainly due to (i) share of losses of HK$99.89 million for the year ended 31 December 2019; and (ii) impairment loss on investment in BE M&H of HK$77.89 million.

Equity investment at fair value through other comprehensive income

Equity investment decreased by approximately HK$17.44 million, which was due to the drop in closing market price as at 31 December 2019 of CAQ comparing to the last year. As at 31 December 2019, the closing market price of CAQ quoted on Australian Securities Exchange was A$0.009 and the fair value of 108,628,000 shares of CAQ held by the Company was A$0.98 million (equivalent to approximately HK$5.35 million) which was recognised in the consolidated financial statements of the Group.

Land held for development or sale

Land held for development or sale mainly represented lands located in Cambodia and Jiangsu for the primary land development business and industrial property business, respectively. The increase in balance was mainly due to construction progress in Jiangsu during the year.

Cash and cash equivalents (including restricted cash)

Cash and cash equivalents decreased by HK$812.31 million, mainly due to the net effect of (i) refund of deposit received for setting up a fund of HK$625.96 million; (ii) capital injection to BIPL of HK$116.76 million; (iii) repayment of loans from BIPL of HK$327.83 million; (iv) net bank and other loans of HK$149.91 million drawn; (v) funding from BBHL Logistics of HK$197.78 million; (vi) addition of investment properties of HK$741.51 million; and (vii) acquisition of BBHL Logistics of HK$82.91 million.

Held for sale

Held for sale represented assets and liabilities from (i) Advance Wit Group, (ii) Superior Gain Group, (iii) Hong Heng Group and Integral Success and (iv) Fubao Global Group and Power Deal Group (the "Disposal Group"). The Disposal Group is required to undergo the process of Public Tender through an approved equity exchange in accordance with the relevant PRC laws and regulations governing the disposal of State-controlled assets. Up to the date of this report, the transaction has not been completed. Therefore, the assets and liabilities from the Disposal Group are classified into held for sale as at 31 December 2019. For more details, please refer to the Company's announcements dated 4 September 2019, 10 September 2019 and 29 October 2019.

Due to other related parties

Due to other related parties was mainly representing funding granted by the non-controlling shareholder of the Company's subsidiary located in Singapore, the amount is unsecured, interest-free and not repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Bank and other borrowings

Bank and other borrowings increased by HK$149.91 million (non-current portion decreased by HK$990.37 million and current portion increased by HK$1,140.28 million), mainly due to the net effect of utilising to finance for the construction of projects in the PRC.

Guaranteed bonds

Guaranteed bonds represented a 3 years' period bond issued in March 2017 which has a par value of USD300 million and a 2 years' period bond issued in August 2018 which has a par value of USD250 million.

Liquidity and financial resources

As at 31 December 2019, for accounting purposes, the Group had total borrowings of approximately HK$7,936.10 million (31 December 2018: approximately HK$7,756.03 million) which included: (i) approximately HK$3,659.91 million from bank and other borrowings; and (ii) approximately HK$4,276.19 million from USD guaranteed bonds. The Group's gearing ratio, which was defined as sum of bank and other borrowings and guaranteed bonds, net of cash and cash equivalents and restricted cash, divided by the total equity, was approximately 133.69% (31 December 2018: approximately 90.34%).

As at 31 December 2019, the Group's balance of bank and other borrowings amounted to approximately HK$3,659.91 million, which was denominated in United States dollars ("USD"), Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 46.65%, 19.46% and 33.89%, respectively. 61.63% of these bank and other borrowings was repayable less than one year. As at 31 December 2019, the Group's cash and bank balances amounted to approximately HK$1,008.05 million, which were denominated in USD, HK$ and RMB as to 35.38%, 4.37% and 60.25%, respectively. Bank and other borrowings of an aggregate amount of HK$3,659.91 million bear interest at floating rates, the USD guaranteed bonds issued in March 2017 and August 2018 bear coupon rates of 4.375% and 9.00% per annum, respectively. The cash and bank balances, together with the unutilised banking facilities, are sufficient to finance the Group's businesses at the moment.

As at 31 December 2019, the Group's current ratio and quick ratio were approximately 43.19% and 40.59%, respectively (31 December 2018: approximately 76.15% and 72.83%, respectively).

The net total borrowings of the Group as at 31 December 2019 (total borrowings less cash and cash equivalents and restricted cash) was HK$6,928.05 million (31 December 2018: HK$5,935.67 million), representing an increase of HK$992.38 million as compared to the previous year.

Contingent liabilities

As at 31 December 2019, the Group had no contingent liabilities (31 December 2018: Nil).

Capital expenditures

For the year ended 31 December 2019, the Group spent approximately HK$746.78 million (For the year ended 31 December 2018: approximately HK$440.99 million) as capital expenditures, which consisted of the purchase of property, plant and equipment, investment properties and prepaid land lease payments.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Capital commitments

As at 31 December 2019, the Group had outstanding contracted capital commitments amounted to approximately HK$874.48 million in aggregate which comprised commitments for:

– the outstanding construction costs of approximately RMB673.28 million (equivalent to approximately HK$753.13 million) committed for warehouse facilities.

– the outstanding capital injection of approximately RMB105 million (equivalent to approximately HK$117.45 million) payable for BE City Investment.

– the outstanding capital injection of approximately USD500,000 (equivalent to approximately HK$3.9 million) payable for a joint venture.

Treasury policies

The Group adopts conservative treasury and risk management policies and controls tightly over its cash. The Group's cash and cash equivalents are held mainly in HK$, RMB and USD. Surplus cash is generally placed in short term deposits denominated in these currencies.

Foreign exchange exposure

The Group mainly operates in the PRC with most of the domestic transactions settled in RMB for its PRC business and the Company's financing activities are mainly determine in USD. Meanwhile, fluctuations of exchanges rates would impact our net assets value due to currency translation upon consolidation. If RMB appreciated/depreciated against HK$, the Group would record a(n) increase/decrease in our net assets value, as part of the Group's borrowings and cash balances are denominated in HK$ and USD. For the year ended 31 December 2019, the Group did not employ financial instruments for hedging its exposures to foreign currency risk. The Group will closely monitor its exposures to fluctuation in foreign currencies' exchange rates as exchange rate fluctuation of foreign currencies against RMB may have a material financial impact on our Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Significant investments and acquisitions

For the year ended 31 December 2019, the Group had following significant investments and acquisitions.

(a) Acquisition of 40% equity interest in BBHL Logistics

On 1 February 2019, Beijing Yun Zhong Management Consulting Co., Ltd (a wholly owned subsidiary of the Company) entered into an agreement with an independent third party, Riverside Investment Group Co. Ltd, to acquire 15% equity interest in BBHL Logistics, and Best Scope Global Limited (a wholly owned subsidiary of the Company) entered into an agreement with an independent third party, Hopeson Holdings Limited, to acquire 25% equity interest in BBHL Logistics at a total consideration of RMB70.86 million (equivalent to approximately HK$82.91 million).

The transaction has been completed during the year ended 31 December 2019. Further detail of the acquisition is set out in the Company's announcement dated 1 February 2019.

(b) Exercise of put option relating to interest in China Logistics Group

On 12 July 2019, the Company received the notice of put option from the Subscriber whereby the Company is required to purchase from the Subscriber the shares of China Logistics. The consideration of RMB1,176.22 million has been duly paid on 28 February 2020.

Charges on assets

As at 31 December 2019, the Group had bank loans with principal amounts of approximately HK$1,229.79 million being secured by certain investment properties, cash and bank balances, trade receivables and equity interests in certain subsidiaries of the Group and all of which were guaranteed by the Company.

Litigations

As at 31 December 2019, the Group had no pending litigation.

Employees and remuneration policies

As at 31 December 2019, the Group had a total of 682 (2018: 616) employees. Total staff cost incurred for the year ended 31 December 2019 amounted to approximately HK$120.44 million (2018: approximately HK$126.48 million) (including staff cost and directors' remuneration). The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and packages are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

DIRECTORS AND SENIOR MANAGEMENT

Our board (the "Board") of directors (the "Directors") currently consists of thirteen Directors, comprising eight executive Directors and five independent non-executive Directors.

EXECUTIVE DIRECTORS

MR. QIAN XU

Born in September 1963, is the chairman and executive director of the Company, Mr. Qian is the chairman, general manager and director of the Beijing Enterprises City Development Group Limited ("BE City"), which is a subsidiary company of the Beijing Enterprises Group Company Limited ("BE Group"). Mr. Qian graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in Economics and has obtained his EMBA degree from Tsinghua University. Mr. Qian has extensive experience in corporate management. Mr. Qian is a director of Brilliant Bright Holdings Limited ("Brilliant Bright"), which is a controlling shareholder of the Company. Mr. Qian is the non-executive director of CAQ Holdings Limited ("CAQ"), a company listed on the Australia Stock Exchange with Listing Corporation Code of CAQ since April 2015. Mr. Qian has resigned as the chairman and the director of MillenMin Ventures Inc. ("MVM"), a company listed on the Toronto Stock Exchange with Listing Stock Code of MVM with effect from 26 September 2019 and has resigned as the executive director of Beijing Enterprises Medical and Health Industry Group Limited ("BE M&H") (SEHK Stock Code: 2389) with effect from 27 February 2019. Mr. Qian joined the Group in July 2009.

MR. SIU KIN WAI

Born in September 1968, is the chief executive officer and executive director of the Company, Mr. Siu graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy and is fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in corporate management. Mr. Siu is a director of Brilliant Bright, which is a controlling shareholder of the Company. Mr. Siu is the non-executive director of CAQ since April 2015, an executive director of BE M&H since May 2017 an executive director of MVM since July 2017, respectively. Mr. Siu was the chief executive officer of MVM. Mr. Siu is an independent non-executive director of Orient Securities International Holdings Limited (SEHK Stock Code: 8001) since September 2017 and he also serves as an independent non– executive director of Agritrade Resources Limited (SEHK Stock Code: 1131) since August 2010. Mr. Siu joined the Group in July 2009.

Mr. ZHAO JIANSUO

Born in August 1963, is the executive director of the Company. Mr. Zhao is the director, secretary and chairman of the labour union of BE City. Mr. Zhao graduated from the Party School of the Central Committee of C. P. C. majoring in international economics. He served in the People's Liberation Army General Staff Department from 1980 to 1992 and was a captain and assistant engineer when he retired from the army. Mr. Zhao worked at the Cadre Division of the Urban Construction Work Commission of the CPC Beijing Municipal Committee from 1992 to 2003, and joined Beijing Gas Group Co., Ltd. as the deputy director of the general office in 2003. In 2005, Mr. Zhao joined BE Group as the deputy director of the general office and deputy chairman of the labour union. In 2015, Mr. Zhao was re-designated by BE Group as the director, secretary and chairman of the labour union of its subsidiary, Beijing Enterprises Real-Estate Group Limited. Mr. Zhao has extensive experience in corporate management, internal control and government liaison. Mr. Zhao joined the Group in June 2016.

DIRECTORS AND SENIOR MANAGEMENT

MR. DONG QILIN

Born in December 1965, is the executive director of the Company. Mr. Dong is a vice general manager of BE City. Mr. Dong graduated from the University of Science and Technology in Beijing with a Master's degree in Public Administration (MPA) and obtained the professional and technological qualifications of Senior Accountant and Certified Public Accountant of the PRC. Mr. Dong has extensive experience in corporate management and financial operation.

MR. LI CHANGFENG

Born in March 1973, is the executive director and managing director of the Company. Mr. Li is the chairman and director of China Logistics Infrastructures (Holdings) Limited ("China Logistics"), a subsidiary of the Company. Mr. Li graduated from the Northern Jiaotong University with a Master's degree in Transportation Management and obtained the professional and technological qualification of Engineer of the PRC. Mr. Li has extensive experience in corporate management and logistics property investment and development.

MR. CHENG CHING FU

Born in March 1974, is the executive director, chief financial officer and company secretary of the Company, Mr. Cheng graduated from Curtin University, Perth, Western Australia with a Bachelor's degree in Commerce, majoring in Accounting and Finance. He then obtained a Master of Business Administration from the University of South Australia and a Master of Corporate Governance from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the CPA Australia, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of the institute of Chartered Secretaries and Administrators. Mr. Cheng is a director of China Logistics and China Industrial Properties (Holdings) Limited ("CIPHL"), both are subsidiaries of the Company. Mr. Cheng is the non-executive director of CAQ since November 2017 and an executive director, chief financial officer and company secretary of MVM since April 2018, respectively. Mr. Cheng has extensive experience in the field of accounting, financial management and company secretary duties.

MR. YU LUNING

Born in April 1961, is the executive director of the Company. Mr. Yu graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in Economics. Mr. Yu has extensive experience in property development, corporate restructuring and financial management. Mr. Yu joined the Group in January 2011.

MR. NG KIN NAM

Born in December 1958, is the executive director of the Company. Mr. Ng has over 30 years of experience in management of business. In addition, he serves as the Honorable President of Eastern District Industries & Commerce Association, the Life Honorable President of Jin Jiang Clans Association (H.K.) Ltd., the Vice President of Ng Clan's Association, the Honorable President of The HK Fujian Charitable Education Fund and the director of Guangdong Chamber of Foreign Investors. Mr. Ng was an executive director of the Company from 2002 to 2009. Mr. Ng re-joined the Group in December 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. GOH GEN CHEUNG

Born in January 1947, was appointed as an independent non-executive director of the Company in November 1997. Mr. Goh has over 30 years of treasury, finance and banking experience. Mr. Goh is a certified banker of the Hong Kong Institute of Bankers and obtained his MBA degree from the University of East Asia in Macau. Mr. Goh also serves as an independent non-executive director of CEC International Holdings Limited (SEHK stock code: 759).

DIRECTORS AND SENIOR MANAGEMENT

MR. ZHU WUXIANG

Born in May 1965, was appointed as an independent non-executive director of the Company in January 2011. Mr. Zhu is currently a professor of the Department of Finance of the School of Economics and Management, Tsinghua University. Mr. Zhu graduated from Tsinghua University in 2002, specialising in Quantitative Economics and has obtained a Doctorate. He has been studying and working at Tsinghua University since 1982. Mr. Zhu is an independent non-executive director of China Cinda Asset Management Co., Ltd. (SEHK Stock Code: 1359) since October 2016. Mr. Zhu was appointed as an independent non-executive director of Visual China Group Co., Ltd., a company listed on the Shenzhen Stock Exchange, the PRC (Listing Corporation code: 000681) on 24 October 2018. Mr. Zhu also serves as an independent non-executive directors of CFLD Inc., a company listed on the Shanghai Stock Exchange, the PRC (Listing Corporation code: 600340). From October 2014 to October 2017, Mr. Zhu was an independent non-executive director of Dongxing Securities Corporation Limited, a company listed on the Shanghai Stock Exchange, the PRC (Listing Corporation code: 601198). From March 2016 to June 2018, Mr. Zhu was an independent non-executive director of Zhongxing Telecommunication Equipment Corporation (SEHK Stock Code: 763).

MR. JAMES CHAN

Born in January 1954, was appointed as an independent non-executive director of the Company in June 2011. Mr. Chan has over 30 years of comprehensive experience in design, planning and land matters, and design development and construction management of investment properties. Mr. Chan holds a Bachelor's degree of Arts in Architectural Studies from the University of Hong Kong, a Bachelor's degree of Architecture from the University of Dundee in Scotland and an EMBA degree from Tsinghua University. Mr. Chan is the project director of Pacific Century Premium Development Limited ("PCPD")(SEHK Stock Code: 432). Mr. Chan has retired as the executive director of PCPD with effect from 11 February 2020. Mr. Chan has resigned as an non-executive director of Viva China Holding Limited (SEHK Stock Code: 8032) with effect from 28 June 2019.

MR. SONG LISHUI

Born in January 1958, was appointed as an independent non-executive director of the Company in December 2014. Mr. Song is currently a professor of the Department of Economics of the Faculty of Economics at the Meiji Gakuin University, Japan. Mr. Song obtained a Doctorate in Economics from the Graduate School of the Ritsumeikan University in March 1996, a Master's degree in Economics from the Graduate School of the Kyoto University in March 1991 and a Bachelor's degree in Economics from the Department of Planning and Statistics from Renmin University of the PRC in July 1986. He has been working for the Meiji Gakuin University, Japan since 1996, and is a deputy representative of the executive council of the Society of Chinese Professors in Japan and a visiting researcher of 日本TORAY經營研究所. Mr. Song was a visiting scholar of the Center for East Asian and Pacific Studies at the University of Illinois, the United States. He also served as a civil servant at the Personnel and Education Department of the National Bureau of Statistics of the PRC. He has extensive experience in economic analysis.

MR. XIE MING

Born in October 1955, was appointed as an independent non-executive director of the Company in May 2017. Mr. Xie is the chairman of 固態白酒原酒委員會 of China Alcoholic Drinks Association, honorary chairmen of Sichuan Development Grain Liquor Equity Investment Fund*（四川發展純糧原酒股權投資基金）and Sichuan Yucheng Wine Industry Investment Management Co., Ltd.*（四川宇晟酒業投資管理有限公司）and Sichuan deputy to the National People's Congress. Mr. Xie was the retired chairmen of Luzhou Laojiao Co., Ltd, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000568), Luzhou Laojiao Group Co., Limited*（瀘州老窖集團有限責任公司）and Luzhou Laojiao International Development (Hongkong) Co., Limited. Prior to that, he served with the government of Luzhou as the secretary. Mr. Xie obtained a master's degree in business administration from Sichuan University in and obtained his EMBA from Tsinghua University.

DIRECTORS AND SENIOR MANAGEMENT

The senior management team of the Group include:

MR. YUE CHEN

Born in September 1963, is the chairman and director of CIPHL. Mr. Yue obtained a graduate diploma in foreign trade from the Beijing University of Technology in 1985 and obtained the professional and technological qualification of International Business Engineer of the PRC Mr. Yue has over 30 years' experience in international trade and corporate management. He is the managing director of Company since January 2018.

MR. ZHANG XUDONG

Born in August 1970, is the chairman and director of China Cold China Industry Investments (Group) Limited ("CCII"), a subsidiary of the Company, Mr. Zhang obtained a graduate diploma in international trade and economics and a bachelor's degree of economics from Beihang University of Aeronautics and Astronautics (BUAA) and a MBA from Newcastle Business School of Northumbria University, the United Kingdom. Mr. Zhang has over 25 year's in corporate management who obtained a series of senior management positions in fortune global 500 and China 500 enterprises. Mr. Zhang is the chairman of Tianjin Zhongyu Properties Co. Ltd. ("Tianjin Zhongyu") and Qingdao Jingchangshun Food Co., Ltd ("Qingdao Jingchangshun"). Mr. Zhang is the director of Beijing Dongcheng District History City Conservation and Management Group（北京東城區歷史文化名城保護管理集團）. He is the managing director of the Company since December 2019.

MR. TIAN YUE

Born in October 1963, is the chairman and director of China Logistics Warehouses (Holdings) Co., Ltd., a subsidiary of the Company. Mr. Tian graduated from Northwestern Polytechnical University with a Bachelor's degree in Industry Electrification. Mr. Tian has extensive experience in corporate management, commercial property operation and property leasing management. He is an executive vice president of the Company since July 2015.

MR. JIANG WEI

Born in June 1963, is the chairman and director of Quzhou Tongcheng Agriculture Development Co., Ltd. ("Quzhou Tongcheng"), a subsidiary of the Company. Mr. Jiang graduated from Harbin Railway Technical College majoring in railway engineering. Mr. Jiang has engaged in the fields of railway project construction and automobile trading for an extensive period and has extensive experience in engineering and trading. He is an executive vice president of the Company since September 2015.

MR. XIONG XIAOSEN

Born in March 1963, executive vice president of the Company, Mr. Xiong obtained an graduate diploma in marine propulsion management from Dalian Maritime University in July 1986 and has obtained a practicing certificate as an engineer. Mr. Xiong has over 30 years of experience in corporate management. He is an executive vice president of the Company since January 2018.

MR. XIONG PINGFANG

Born in November 1968, is the president and director of China Logistics, Mr. Xiong obtained a graduate diploma in trade and economics from the Jiangxi University of Finance and Economics in July 1991. In 1998, he studied securities and finance at the Renmin University of China and obtained the professional and technological qualification of certified public accountant of the PRC. Mr. Xiong has over 25 year's of experience in corporate financial management, securities and finance and corporate management. He is an executive vice president of the Company since December 2019.

DIRECTORS AND SENIOR MANAGEMENT

MS. LIN WENTING

Born in January 1972, is the chairlady of the in-house supervisory committee of the Company. Ms. Lin obtained a graduate diploma in investment and economics from the Renmin University of China in 1996 and the practicing qualification for registered cost engineer. Ms. Lin has over 24 years' of experience in costing and cost management of real estate development projects. Ms. Lin is a senior vice president of the Company since September 2015.

MR. CHANG KAM HO

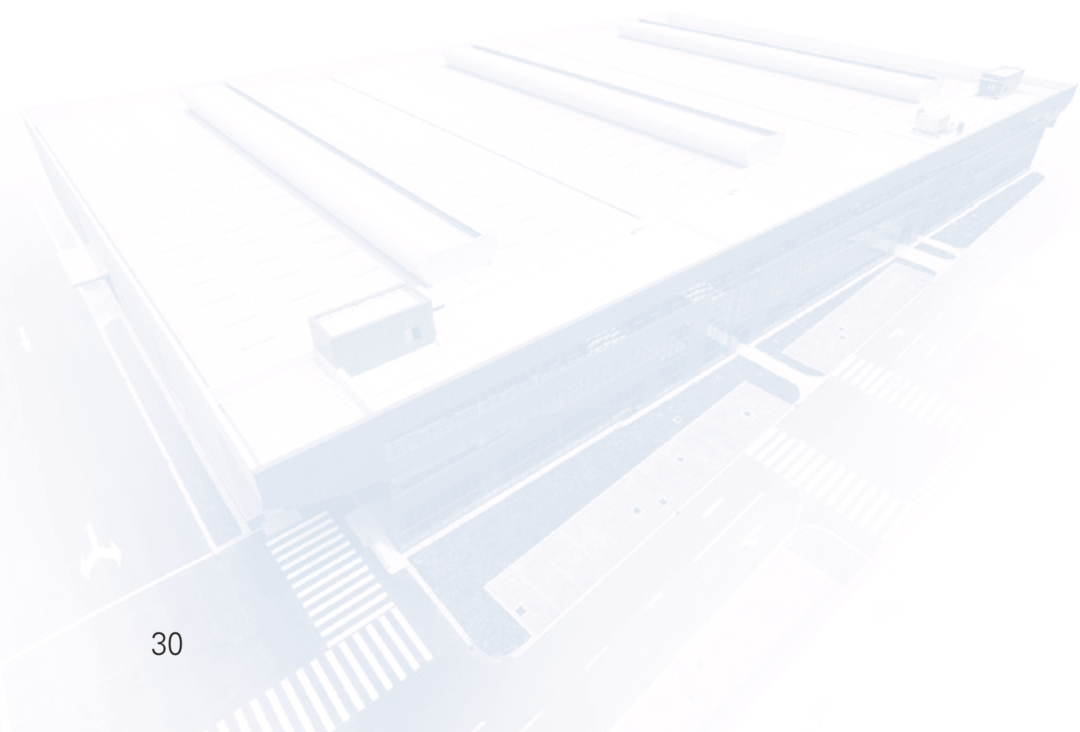
Born in November 1986, is the financial controller of the Company, Mr. Chang graduated from the Hong Kong Polytechnic University with a Bachelor of Business Administration (Hons) Major in Accountancy & Minor in Financial Services. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chang has over 9 years of experience in auditing and accounting, he joined the Group in August 2017.

MR. REN LIN

Born in September 1981, is the general manager of Quzhou Tongcheng. Mr. Ren graduated from the PLA Military Institute of Engineering with a diploma and a Bachelor's degree in Computer Science and Technology. Mr. Ren has extensive corporate management business. Between 2012 and 2018, he served as associate general manager of Beijing Inland Port International Logistics Co., Limited, an executive director and vice president of China Logistics, a director and vice president of Beijing Inland Port Co., Limited, the chairman and general manager of Tianjin Transwell International Logistics Co., Limited, the chairman and general manager of Transwealth Logistics (Tianjin) Co., Limited. Mr. Ren is a senior vice president of the Company since October 2018.

MR. SONG GUOXIN

Born in June 1968, is the general manager and director of CCII. Mr. Song obtained an graduate diploma and a bachelor of engineering degree in metallic materials and heat treatment from Xi'an Jiaotong University, as well as a post-graduate diploma in environmental economics and a second bachelor degree in economics from Renmin University of China. Mr. Song has extensive experience in corporate management. He is currently a director of Tianjin Zhongyu Properties Co., Ltd. and Tianjin Beijing Inland Port Co., Ltd. He is a senior vice president of the Company since December 2019.



REPORT OF THE DIRECTORS

The Board presents its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 1 to the financial statements. The Group is principally engaged in real estate including high-end and modern general warehouse, cold chain logistics warehouse and trading business, specialised wholesale market, industrial property, commercial property, primary land development. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit 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 financial statements on pages 69 to 173. The Board does not recommend the payment of any dividend for the year.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on page 5 of this Annual Report. The financial risk management objectives and policies of the Group can be found in the note 46 to the financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2019 are provided in the note 47 to the financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the management discussion and analysis on pages 6 to 25. In addition, discussions on the Group's environmental policies, relationship with its key stakeholders, key risks and uncertainties and compliance with relevant laws and regulations which have a significant impact on the group are contained in the Report of The Directors on pages 31 to 49 of this Annual Report.

ENVIRONMENTAL POLICY

The Group believes that sustainable development is an integral part of our business. We aim at creating long-term values for our stakeholders and contributing to the society by carrying out our business in a socially responsible way. The Group is committed to support the environmental sustainability and comply with PRC national, provincial and municipal governments' environmental protection laws and regulations. These include regulations on air pollution and discharge of waste and water into the environment. The Company is also dedicated to promote energy conservation and responding proactively to climatic changes, so as to facilitate efficient use of energy by taking several measures including constantly carries out internal recycling measures in terms of its consumables and implementing energy-saving policies to reduce electricity consumption, in order to lessen the impact on environment from operating activities to achieve the target of sustainable development.

Please refer to the environmental, social and governance Report issued separately for further information on the work done and efforts made by the Company on environmental protection, legal compliance and other aspects for the sustainable growth and development of the business of the Group.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulation by our Group that has a significant impact on the business and operations of our Group.

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises that our employees, customers, suppliers and business partners are keys to its sustainable development. The Group is committed to establish a close and caring relationship with its employees, provides competitive remuneration package to attract and motive the employees, and regularly reviews the remuneration package in order to make necessary adjustments to conform to the market standard. The selection of major suppliers or contractors is conducted through procurement assessment or tendering process and regularly reviews the procurement and tendering procedures to ensure that the processes are conducted in an open and fair manner. The Group is committed to provide quality of service to satisfy needs and requirements of our customers and enhance cooperation with its business partners by ongoing communication in a proactive and effective manner.

KEY RISKS AND UNCERTAINTIES

The Group is engaged in the logistics warehouse, specialised wholesale market, cold chain logistics warehouse and trading business, industrial property and commercial property businesses and the Group primarily leases its properties to customers including logistic companies, companies with significant storage requirements and foreign manufacturer.

The Group's businesses and prospects are in turn affected by the activity levels of domestic consumption, cross border trading and manufacturing activities. The operation of commercial properties is also sensitive to overall economic development and domestic consumption. China has experienced rapid growth in recent years, which has contributed to the strong demand for warehouse facilities and commercial and industrial properties. Any adverse economic developments, in particular in China, as a result of a global economic slowdown or otherwise, could lead to a general decline in domestic consumption and a slowdown in international trade, which could have a significant impact on the customers' businesses and affect the demand for warehouse facilities.

The Group cannot assure that there will continue to be growing demand for warehouse facilities and commercial and industrial properties in China. If the demand does not continue to grow or grows more slowly than expected, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group established its first overseas presence by making investments into a primary land development project in Cambodia. Overseas business may be affected by the changes in, and the instability of, international economic and political conditions as well as the regional conditions of the jurisdictions where it operates. The political and economic conditions in such regions are often subject to instability, in particular where political and economic conditions can often be volatile and unstable in Cambodia. As a result of the Group's overseas operation, it is exposed to the risks associated with expanding and conducting business in foreign countries and regions.

The Group faces foreign exchange and conversion risks, and fluctuations in Renminbi may adversely affect the Group's operations and financial results. The value of Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. The Group conducts most of its business in the PRC, and a large part of its operating cash flows is in Renminbi. Accordingly, any depreciation in Renminbi relative to the US dollar will increase the cost to the Group of servicing its payment obligations and could have an adverse effect on the Group's financial position.

REPORT OF THE DIRECTORS

KEY RISKS AND UNCERTAINTIES (Continued)

The Group has significant debt obligations under bonds and bank and other borrowings borrowed to finance project costs. As at 31 December 2019, the Group had total bonds and bank and other borrowings of approximately HK$7.94 billion and our gearing ratio (total debt to equity ratio) was 153%. All existing borrowings (except for the bonds) are outstanding on variable interest rate terms under which interest rates will be adjusted according to market movements in interest rates. It has not been the Group's policy to hedge against movements in interest rates. Any significant increase in interest rates could have a significant adverse effect on our Group's earnings. The Group's interest rate risk mainly relates to the cash at bank and the long term bank loan. A change in interest rates at the balance sheet date would have effect on the amount of the interest costs and income.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual reports and audited financial statements of the Company for the year ended 31 December 2019 are set out on page 178. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 174 to 176.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the Company's principal subsidiaries, joint ventures and associates at 31 December 2019 are set out in notes 1, 18 and 19 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 37 and 38 to the financial statements.

DEBENTURE ISSUED

As at 31 December 2019, the outstanding principle amounts of bonds guaranteed by the Company and issued by wholly-owned subsidiaries of the Company was US$550,000,000, which included a bond of US$300,000,000 with maturity date in March 2020 and fixed interest rate at 4.375% per annum and a bond of US$250,000,000 with maturity date in August 2020 and fixed interest rate 9.0% per annum.

The reason for issuance of the bond is used for the Group's general corporate purposes. Details of the bonds are included in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2019.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in notes 48 and 39 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company had no reserves (including contributed surplus, financial assets revaluation reserve and retained profits) available for distribution to shareholders.

Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus account in the amount of HK$423,880,000 as at 31 December 2019, is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of this reserve if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In addition, the Company's share premium account, in the amount of HK$1,762,147,000, as at 31 December 2019 can be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 29.92% of the Group's revenue for the year and revenue from the largest customer included therein amounted to approximately 9.55%. Purchase from the Group's five largest suppliers (including construction contractors) accounted for approximately 60.29% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 41.97%.

During the year, none of the Directors of the Company, or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five customers and suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors:

Mr. Qian Xu (Chairman)
Mr. Siu Kin Wai (Chief Executive Officer)
Mr. Zhao Jiansuo
Mr. Dong Qilin
Mr. Li Changfeng
Mr. Cheng Ching Fu (Chief Financial Officer)
Mr. Yu Luning
Mr. Li Shuping (resigned on 6 January 2020)
Mr. Ang Renyi (resigned on 8 October 2019)

Independent non-executive directors ("INEDs"):

Mr. Goh Gen Cheung
Mr. Zhu Wuxiang
Mr. James Chan
Mr. Song Lishui
Mr. Xie Ming

In accordance with bye-law 111(A) of the Company's bye-laws, Mr. Qian Xu, Mr. Dong Qilin, Mr. Li Changfeng, Mr. Zhu Wuxiang, Mr. James Chan and Mr. Xie Ming shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from all INEDs and as at the date of this report all of them are still considered to be independent.

REPORT OF THE DIRECTORS

BOARD CHANGES

Information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out as follows:

Mr. Ang Renyi resigned as an executive director of the Company and re-designated as the Company's consultant with effect from 8 October 2019.

Mr. Li Shuping resigned as an executive director of the Company and re-designated as the Company's consultant with effect from 6 January 2020.

CHANGES IN DIRECTORS' INFORMATION

Mr. Qian Xu has resigned as an executive director of Beijing Enterprises Medical and Health Industry Group Limited (SEHK Stock Code: 2389) with effect from 27 February 2019, Mr. Qian has resigned as the chairman and the director of MillenMin Ventures Inc. (TSX stock code: MVM) with effect from 26 September 2019. Mr. Qian has resigned as the chairman and director of the Beijing Enterprises Real-Estate Group Limited ("BE Real Estate") with effect from 22 November 2019 and Mr. Qian was appointed as the chairman, general manger and director of the Beijing Enterprises City Development Group Limited ("BE City") with effect from 22 November 2019.

Mr. Zhao Jiansuo has resigned as the director, secretary and chairman of the labour union of BE Real Estate with effect from 22 November 2019 and Mr. Zhao was appointed as the director, secretary and chairman of the labour union of BE City with effect from 22 November 2019.

Mr. Dong Qilin has resigned as the vice general manager of BE Real Estate with effect from 22 November 2019 and Mr. Dong was appointed as the vice general manager of BE City with effect from 22 November 2019.

Mr. James Chan has retired as the executive director of the Pacific Century Premium Development Limited (SEHK Stock Code: 432) with effect from 11 February 2020 and Mr. Chan has resigned as an non-executive director of Viva China Holding Limited (SEHK Stock Code: 8032) with effect from 28 June 2019.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Company are set out on pages 26 to 30 of the annual report.

DIRECTORS' SERVICE CONTRACTS

All Directors (including executive Directors and INEDs) had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the Bye-Laws. No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings, other emoluments of the Directors are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee. Further details of the Company's directors' remuneration are set out on pages 119 to 121 of this annual report.

Further details of the Company's remuneration committee are set out in the corporate governance report on page 56 of this annual report.

EMOLUMENT POLICY

The emolument of each of the Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

The Company has adopted a share option scheme as incentives to Directors and eligible persons, details of the scheme is set out in note 38 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the transactions as disclosed in the sections headed "Related Party Transactions" and "Connected Transactions and Continuing Connected Transactions" below, there were no other transactions, arrangements or contracts of significance to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

From 1 January 2019 to 22 November 2019, Mr. Qian Xu and Mr. Zhao Jiansuo, directors of the Company, are the director of BE Real Estate, which is a wholly owned subsidiary of BE Group and engages mainly in property development for government projects, are considered to have interests in a business which competes or is likely to compete, directly or in indirectly, with the business of the Group. Since 22 November 2019, Mr. Qian Xu and Mr. Zhao Jiansuo has been re-designated by the BE Group as the director of BE City, which is also a wholly owned subsidiary of BE Group and engages in business of property investment and development, are considered to have interests in a business which competes or is likely to compete, directly or in indirectly, with the business of the Group.

As the Board is independent of the board of the aforesaid company and maintains five independent non-executive Directors, the Group operates its businesses independently of, and at arm's length from, the business of the aforesaid company.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

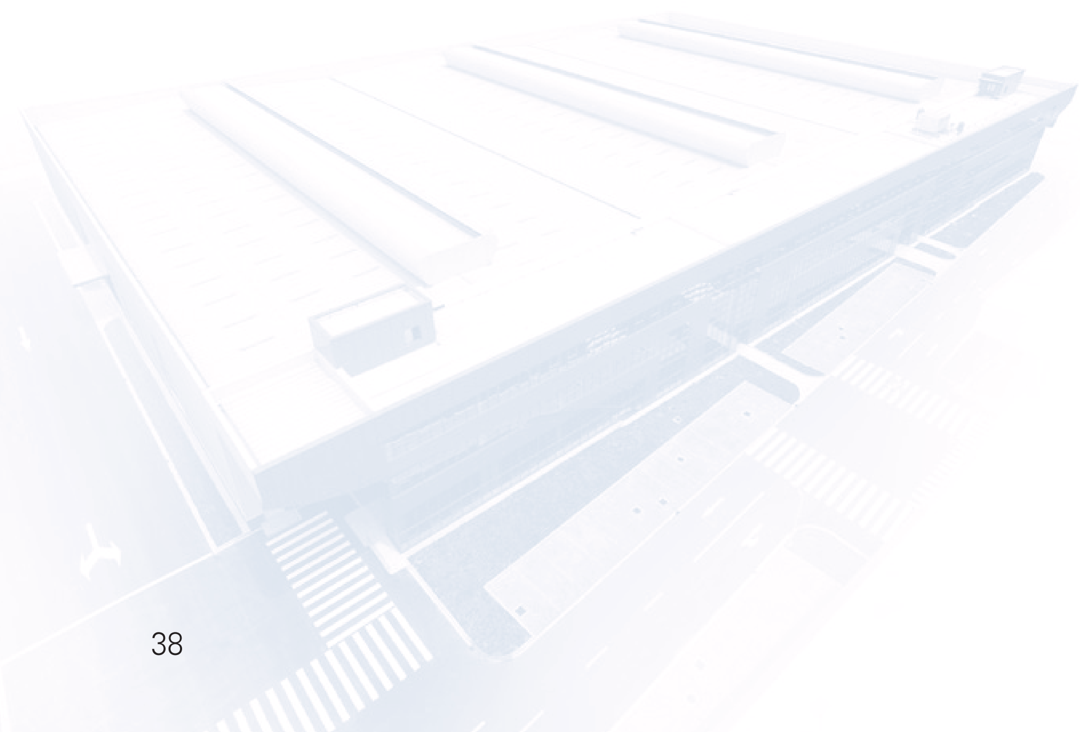
Long position in the ordinary shares of the Company:

	Number of ordinary shares					
Name of Directors	**Personal Interest**	**Family Interest**	**Corporate interest**	**Other interest**	**Total**	**Approximate percentage of the Company's issued share capital** *(Note 2)*
Mr. Yu Luning	9,690,000	0	0	0	9,690,000	0.139%
Mr. Ng Kin Nam	98,445,200	9,729,000	42,491,800 *(Note 1)*	0	150,666,000	2.162%

Notes:

1. 42,491,800 ordinary shares of HK$0.10 each in the share capital of the Company ("Shares") as at 31 December 2019 are held by Jade Investment Limited which is beneficially owned by Mr. Ng Kin Nam and the spouse of Mr. Ng Kin Nam.

2. The percentage represented the number of Shares over the total issued Shares of the Company as at 31 December 2019 of 6,969,331,680 Shares.



REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Long position in underlying shares of the Company:

The interests of the Directors and chief executives in the share options of the Company are separately disclosed in the section "Share option scheme" below.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives had registered an interest or a short position 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) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a share option scheme (the "Scheme") and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and Directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The Directors of the Company may, at their discretion, invite employees (including executive Directors) and non-executive Directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the Board at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The exercise price of the share options is subject to adjustment in case of right or bonus issues, or other similar changes in the Company's share capital. Further details of the Scheme are disclosed in note 39 to the financial statements.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The following table discloses movements in the Company's share options outstanding during the year ended 31 December 2019 as follows:

Name or category of participant	At 1 January 2019	Granted during the year *(Note 2)*	Exercised during the year *(Note 2)*	Cancelled during the year	At 31 December 2019	Date of grant of share options *(Note 1)*	Exercise period of share options	Exercise price of share options HK$ per share *(Note 1)*
	Number of share options							
Directors:								
Mr. Qian Xu	6,000,000	–	–	–	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	6,000,000	–	–	–	6,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	10,000,000	–	–	–	10,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	9,000,000	–	–	–	9,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	4,000,000	–	–	–	4,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	5,000,000	–	–	–	5,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	40,000,000	–	–	–	40,000,000			
Mr. Zhao Jiansuo	1,500,000	–	–	–	1,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	3,200,000	–	–	–	3,200,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	4,700,000	–	–	–	4,700,000			
Mr. Siu Kin Wai	5,000,000	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	6,000,000	–	–	–	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	5,000,000	–	–	–	5,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	3,000,000	–	–	–	3,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	4,000,000	–	–	–	4,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	28,000,000	–	–	–	28,000,000			
Mr. Dong Qilin	3,000,000	–	–	–	3,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	3,300,000	–	–	–	3,300,000	24-May-13	24-May-13 to 23-May-23	0.574
	3,500,000	–	–	–	3,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	2,000,000	–	–	–	2,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,500,000	–	–	–	2,500,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	19,300,000	–	–	–	19,300,000			
Mr. Li Changfeng	2,500,000	–	–	–	2,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	3,300,000	–	–	–	3,300,000	24-May-13	24-May-13 to 23-May-23	0.574
	3,500,000	–	–	–	3,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	2,000,000	–	–	–	2,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,500,000	–	–	–	2,500,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	18,800,000	–	–	–	18,800,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

	Number of share options							
Name or category of participant	At 1 January 2019	Granted during the year *(Note 2)*	Exercised during the year *(Note 2)*	Cancelled during the year	At 31 December 2019	Date of grant of share options *(Note 1)*	Exercise period of share options	Exercise price of share options HK$ per share *(Note 1)*
Mr. Cheng Ching Fu	1,000,000	–	–	–	1,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	3,000,000	–	–	–	3,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	2,500,000	–	–	–	2,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,000,000	–	–	–	2,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	11,500,000	–	–	–	11,500,000			
Mr. Yu Luning	5,000,000	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	4,000,000	–	–	–	4,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	4,000,000	–	–	–	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	3,000,000	–	–	–	3,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	22,000,000	–	–	–	22,000,000			
Mr. Goh Gen Cheung	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	1,837,700	–	–	–	1,837,700	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	8,337,700	–	–	–	8,337,700			
Mr. Zhu Wuxiang	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	6,500,000	–	–	–	6,500,000			
Mr. James Chan	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	6,500,000	–	–	–	6,500,000			
Mr. Song Lishui	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
Mr. Li Shuping*	1,500,000	–	–	–	1,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,500,000	–	–	–	2,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	4,000,000	–	–	–	4,000,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

Name or category of participant	At 1 January 2019	Granted during the year (Note 2)	Exercised during the year (Note 2)	Cancelled during the year	At 31 December 2019	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK$ per share (Note 1)
	Number of share options							
Mr. Ang Renyi**	4,000,000	–	–	–	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	3,000,000	–	–	–	3,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	8,000,000	–	–	–	8,000,000			
Other employees and consultants in aggregate:	140,500,000	–	–	(67,000,000)	73,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	243,375,400	–	–	(63,600,000)	179,775,400	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	117,400,000	–	–	(5,300,000)	112,100,000	24-May-13	24-May-13 to 23-May-23	0.574
	147,200,000	–	–	(8,250,000)	138,950,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	24,000,000	–	–	(1,000,000)	23,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	55,000,000	–	–	(2,000,000)	53,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	727,475,400	–	–	(147,150,000)	580,325,400			
	906,113,100	–	–	(147,150,000)	758,963,100			

Notes:

* Mr. Li Shuping has been re-designated as the Company's consultant upon his resignation from executive director on 6 January 2020.

** Mr. Ang Renyi has been re-designated as the Company's consultant upon his resignation from executive director on 8 October 2019.

1. The share options have no vesting period and the exercise price is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

2. Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled under the scheme during the year ended 31 December 2019.

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and Chief Executives' interests and short positions in shares and underlying shares" and "Share option scheme", at no time during the year ended 31 December 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2019, so far as was known to the Directors or chief executive of the following persons (not being Directors or chief executive of the Company) had, an interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares and underlying shares of the Company:

		Number of shares held, capacity and nature of interest		Number of underlying shares held, capacity and nature of interest			
Name	Notes	**Directly beneficially owned**	**Through a controlled corporation**	**Directly beneficially owned**	**Through a controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital** (%)
Brilliant Bright Holdings Limited	(a)	1,557,792,500	–	–	–	1,557,792,500	22.35%
Beijing Enterprises Real Estate (HK) Limited	(b)	2,518,364,407	1,557,792,500	–	–	4,076,156,907	58.49%
北京北控置業集團有限公司 (Beijing Enterprises Real-Estate Group Limited)	(c)	–	4,076,156,907	–	–	4,076,156,907	58.49%
Illumination Holdings Limited	(d)	87,451,458	–	–	–	87,451,458	1.25%
Beijing Holdings Limited	(e)	487,166,195	87,451,458	–	–	574,617,653	8.24%
Beijing Enterprises Group Company Limited	(f)	–	4,650,774,560	–	–	4,650,774,560	66.73%
Thular Limited	(g)	327,196,000	–	–	–	327,196,000	4.69%
Kerry Holdings Limited	(g)	–	327,196,000	–	–	327,196,000	4.69%
Kerry Group Limited	(g)	–	327,196,000	–	–	327,196,000	4.69%

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

(a) Brilliant Bright Holding Limited ("Brilliant Bright") holds 1,557,792,500 Shares.

(b) Beijing Enterprises Real Estate (HK) Limited ("BEREHK") (i) holds 2,518,364,407 Shares; and (ii) is deemed to be interested in the 1,557,792,500 Shares of Brilliant Bright by virtue of its controlling interests in its wholly-owned subsidiary, Brilliant Bright.

(c) BEREHK is a wholly-owned subsidiary of BE Real Estate. BE Real Estate is deemed to be interested in the Shares which BEREHK is interested in.

(d) Illumination Holdings Limited ("Illumination") holds 87,451,458 Shares.

(e) Beijing Holdings Limited ("BHL") (i) holds 487,166,195 shares; and (ii) is deemed to be interested in the 87,451,458 Shares of Illumination by virtue of its controlling interests in its wholly-owned subsidiary, Illumination. BHL is deemed to be interested in the Shares which Illumination is interested in.

(f) BE Real Estate and BHL are wholly-owned subsidiaries of BE Group. BE Group is deemed to be interested in the Shares which BE Real Estate and BHL are interested in.

(g) Thular Limited ("Thular") is the beneficial owner of 327,196,000 Shares. As Thular is wholly owned by Kerry Holdings Limited ("KHL") which is in turn wholly owned by Kerry Group Limited ("KGL"), KHL and KGL are also deemed to be interested in the Shares held by Thular.

Save as disclosed above, as at 31 December 2019, no person whose interests had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and at arm's length basis. Certain transactions set out in note 43 to the financial statements are connected transactions as defined under the Listing Rules and were complied and exempt with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.71 of the Listing Rules during the year are provided in the paragraph headed "Connected Transactions" as identified below.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transactions

Acquisition of 40% equity interest in Beijing BHL Logistics Limited ("Beijing BHL Logistics")

On 1 February 2019, Beijing Yun Zhong Management Consulting Co., Ltd ("Beijing Yun Zhong") (a wholly owned subsidiary of the Company) entered into the Agreement 1 (as defined in the relevant announcement) with Riverside Investment Group Co. Ltd. ("Riverside") and Best Scope Global Limited ("Best Scope") (a wholly owned subsidiary of the Company) entered into the Agreement 2 (as defined in the relevant announcement) with Hopeson Holdings Limited ("Hopeson"). Pursuant to the agreements, (1) Beijing Yun Zhong has conditionally agreed to purchase and the Riverside has conditionally agreed to sell the registered capital of amount US$3,000,000 in the Beijing BHL Logistics; and (2) Best Scope has conditionally agreed to purchase and the Hopeson has conditionally agreed to sell the registered capital of amount US$5,000,000 in the Beijing BHL Logistics at a total consideration of RMB70,860,571.28 which will be settled by cash payment (the"Acquisition"). As BE Group, being a substantial shareholder of the Beijing BHL Logistics, is a controlling shareholder of the Company, the acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the agreement are subject to announcement and reporting but are exempted from shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the acquisition can be found on the websites of the Company and the Stock Exchange.

As at the date of this annual report, the above transaction had been completed.

Continuing connected transactions

The Group had the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year:

Supplement Agreement to the Deposit Services Master Agreement

On 29 June 2015, the Company entered into the deposit services master agreement with Beijing Enterprises Group Finance Co., Ltd. ("BG Finance"), pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time. The deposit services master agreement is therefore expected not only to provide the Group with a new means of financing but also to improve the efficiency of the use of its funds through higher interest income and lower costs of financing. The Group also expects to be in a better position to manage the security of its funds since BG Finance is not considered to be exposed to any significant capital risk. The annual cap for each of the three years ending 31 December 2015, 2016 and 2017 is HK$250 million.

On 28 April 2017, the Company and BG Finance entered into the supplemental agreement to the deposit services master agreement (the "Supplemental Agreement") to revise the annual cap for each of the three years ended 31 December 2017, 2018 and 2019 to HK$650 million (the "Revised Annual Cap").

As the Supplement Agreement expired on 31 December 2019, and in order to regulate such transactions the continues to take place, after 31 December 2019, the Company and BG Finance entered into the second supplemental agreement to deposit services master agreement ("Second Supplemental Agreement") on 29 October 2019 whereby the Company and BG Finance continues to carry out the transactions of similar natures from time to time under the Deposit Services Master Agreement together with the Second Supplemental Agreement. The cumulative daily outstanding deposits balance placed by the Company with BG Finance (including any interest accrued thereon) during the terms of the Second Supplemental Agreement will not exceed HK$400 million for each of the three years ending 31 December 2020, 2021 and 2022.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

Supplement Agreement to the Deposit Services Master Agreement (Continued)

The rate at which interest will accrue on any deposit placed by the Group with BG Finance under the Deposit Services Master Agreement will not be lower than the following:

i. the minimum interest rate prescribed by the People's Bank of China for the same type of deposits at the same period;

ii. the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits at the same period; and

iii. the interest rates offered by BG Finance to other members of Beijing Enterprises Group Company Limited for the same type of deposits.

Each of BE Group and Beijing Enterprises Holdings Limited ("BEHL") is a connected person of the Company under the Listing Rules by virtue of each being a substantial shareholder of the Company. As each of BE Group and BEHL beneficially owns not less than 30% equity interest in BG Finance, BG Finance is an associate of each of BE Group and BEHL. Therefore, the entering into of the Supplemental Agreement constituted continuing connected transactions of the Company which was subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the Revised Annual Cap. Details of which can be found on the websites of the Company and the Stock Exchange.

The Directors of the Company confirmed that the Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The INEDs of the Company had reviewed these continuing connected transactions and confirmed that these continuing connected transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of these continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

PERMITTED INDEMNITY PROVISION

The bye-laws provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. Such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

REPORT OF THE DIRECTORS

DONATIONS

The Group's charitable donations during the year approximately amounted to HK$240,000.

EQUITY-LINKED AGREEMENTS

As of 31 December 2019, other than the share option scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance the controlling shareholder which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount	Final Maturity	Specific performance obligations
11 December 2017	Term loan facility with a bank	USD200 million	December 2020	Note 1
7 June 2018	Revolving loan facility with a bank	HK$200 million	–	Note 1
10 August 2018	Subscription agreement for issuance of bonds	USD250 million	August 2020	Note 1
21 February 2019	Revolving loan facility with a bank	HK$350 million	–	Note 1
13 June 2019	Term loan facility with a bank	HK$182 million and USD6.5 million	June 2022	Note 1
23 September 2019	Revolving loan facility with a bank	HK$180 million	–	Note 1
24 February 2020	Subscription agreement for issuance of bonds	USD600 million	February 2023	Note 1
17 March 2020	Term loan facility with a bank	USD100 million	March 2023	Note 1

REPORT OF THE DIRECTORS

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER (Continued)

Notes:

1. The Company undertakes to the bank(s) that the borrower (which is a subsidiary of the Company) will procure BE Group to continue to beneficially own (directly or indirectly) at least 40% of the entire issued share capital of the Company. If the borrower fails to perform or comply with this, the bank is entitled to require, by written notice to the Company, to cure such default within the time specified by the banks. If the Company does not remedy such failure to the bank's satisfaction, the bank is entitled to (a) declare the loan under the Agreement(s), accrued interest and all other sums payable under the Agreement(s) immediately due and payable; and (b) declare the loan facility terminated whereupon the obligation of the bank to make any advance under the loan facility shall immediately cease.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period of the Group are set out in note 47 to the financial statements.

DISCLOSURES PURSUANT TO RULES 13.22 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.22 of the Listing Rules, the following disclosure is included in respect of financial assistance given to affiliated company. As at the latest practicable date (i.e. 31 December 2019), the Group has provided to affiliated company financial assistance and guarantees amounting, in aggregate, to approximately RMB1,647 million which exceeded 8% of the assets ratio of the Company, as defined under Rule 14.07(1) of the Listing Rules. Further details of such financial assistance are disclosed in the announcements of the Company dated 12 April 2017. The combined statement of financial position of the affiliated company as at 31 December 2019 and the Group's attributable interest therein are as follows:

	Combined statement of financial position HK$'000	**The Group's attributable interest** HK$'000
Non-current assets	4,020,145	3,055,310
Current assets	399,845	303,882
Non current liabilities	(1,967,193)	(1,495,067)
Current liabilities	(473,869)	(360,141)
Net assets	1,978,928	1,503,984
Issued capital	1,471,135	
Reserves	507,793	
Equity	1,978,928	

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to maintaining the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. In the opinion of the Board of the Company, the Company had complied with all code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules during the financial year ended 31 December 2019 and up to the date of publication of this annual report, except as disclosed in the Corporate Governance Report.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of securities transactions of the directors. Having made specific enquiry of all directors, the Company has confirmed that all directors have complied with the required standards set out in the Model Code and its code of conduct regarding director's securities transaction during the year ended 31 December 2019.

AUDITOR

Ernst & Young retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Group for the year ended 31 December 2019 were approved by the Board on 30 March 2020.

ON BEHALF OF THE BOARD
Qian Xu
Chairman

Hong Kong
30 March 2020

CORPORATE GOVERNANCE REPORT

The Company strongly committed to maintain a quality corporate governance so to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhancement of shareholders' value.

In the opinion of the Board, the Company had complied with all code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year, except for certain deviations disclosed herein below.

BOARD OF DIRECTORS

Board Composition

During the year and up to the date of this annual report, the Board consists of thirteen directors: comprising eight executive Directors, namely, Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Zhao Jiansuo, Mr. Dong Qilin, Mr. Li Changfeng, Mr. Cheng Ching Fu, Mr. Yu Luning and Mr. Ng Kin Nam; and five independent non-executive Directors ("INEDs"), namely, Mr. Goh Gen Cheung, Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Xie Ming.

Role and Function

The principal function of the Board are to formulate corporate strategy and business development and to ensure a high standard of corporate governance. The Board met regularly during the year to approve acquisition, material contracts, discloseable and/or connected transactions, director's appointment or reappointment, significant policy and to monitor the financial performance of the Group in pursuit of its strategic goals. Day to day operation of the Company is delegated to the chief executive officer, chief financial officer and the management of the Company. There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

Directors' continuous professional development

According to the records maintained by the Company, the current Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code contained in Appendix 14 of the Listing Rules on continuous professional development during the year ended 31 December 2019.

Directors	Read materials	Attending seminars/ briefing
Executive directors		
Mr. Qian Xu	✓	
Mr. Siu Kin Wai	✓	✓
Mr. Zhao Jiansuo	✓	
Mr. Dong Qilin	✓	
Mr. Li Changfeng	✓	
Mr. Cheng Ching Fu	✓	✓
Mr. Yu Luning	✓	
Mr. Ng Kin Nam	✓	✓
Mr. Li Shuping (resigned on 6 January 2020)	✓	
Mr. Ang Renyi (resigned on 8 October 2019)	✓	
Independent non-executive directors		
Mr. Goh Gen Cheung	✓	✓
Mr. Zhu Wuxiang	✓	
Mr. James Chan	✓	✓
Mr. Song Lishui	✓	
Mr. Xie Ming	✓	

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

Meetings

Attendance records of the Board meetings, meetings of all committees and general meetings of the Company for the year ended 31 December 2019 were set out below:

	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	General meeting
Number of meetings held	4	2	1	1	2
Name of director	**Number of meetings attended**				
Executive directors					
Mr. Qian Xu	3/4	N/A	N/A	0/1	0/2
Mr. Siu Kin Wai	4/4	N/A	N/A	N/A	0/2
Mr. Zhao Jiansuo	3/4	N/A	N/A	N/A	0/2
Mr. Dong Qilin	4/4	N/A	N/A	N/A	0/2
Mr. Li Changfeng	3/4	N/A	N/A	N/A	0/2
Mr. Cheng Ching Fu	4/4	N/A	N/A	N/A	2/2
Mr. Yu Luning	4/4	N/A	1/1	1/1	0/2
Mr. Ng Kin Nam	4/4	N/A	N/A	N/A	0/2
Mr. Li Shuping (resigned on 6 January 2020)	3/4	N/A	N/A	N/A	0/2
Mr. Ang Renyi (resigned on 8 October 2019)	3/3	N/A	N/A	N/A	0/1
Independent non-executive directors					
Mr. Goh Gen Cheung	4/4	2/2	1/1	1/1	1/2
Mr. Zhu Wuxiang	4/4	2/2	N/A	N/A	0/2
Mr. James Chan	4/4	2/2	1/1	1/1	0/2
Mr. Song Lishui	4/4	2/2	1/1	1/1	0/2
Mr. Xie Ming	4/4	2/2	1/1	1/1	0/2

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

To improve the performance quality of the Company, the Board approved to adopt the board diversity policy on 30 August 2013. The Board believes that board member diversity can be achieved by considering various factors, including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge, term of services and other talents. All Board appointments are made with reference to the Company's business models and specific needs from time to time, and candidates will be considered with due regard for the benefits of diversity on the Board if allowed by objective business conditions. The nomination committee will be mainly responsible for identifying suitable and competent candidates for board members, and considering such candidates in light of objective conditions. As a part of the review on the annual performance of the Board, considerations made by the nomination committee will balance the skills and experience as required by business targets of the Company with diversity factors. To achieve board diversity, the nomination committee will discuss and develop measurable objectives from time to time, and propose the above to the Board for adoption and implementation. Generally speaking, selection of candidates by the nomination committee shall be based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge and term of services. However, the final decision will depend on the strengths of candidates and their prospective contributions to the Board. The Board may improve one or more diversity perspectives from time to time, and implement the upgraded measurements. The nomination committee will review the policy from time to time, including conducting assessments on the effectiveness of the policy. The nomination committee will also discuss any amendment that may be necessary, and submit amendment proposals to the Board for approval.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNIFY

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities against possibility of legal action to be taken against its Directors and officers. During the year, no claim was made against the directors and officers of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the financial year ended 31 December 2019, the chairman and the chief executive officer are held separately by Mr. Qian Xu and Mr. Siu Kin Wai respectively. The segregation of duties of the chairman and the chief executive officer ensures a clear distinction in the chairman's responsibility to provide leadership for the Board and the chief executive officer's responsibility to manage the Company's business. Their roles are clearly defined to ensure their respective independence. There is no relationship between the chairman and chief executive officer of the Board in respect of financial, business, family or other material/relevant relationship.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considers that the INEDs can provide independent advices on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

All INEDs had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the bye-laws of the Company (the "Bye-Laws").

The Company has received written annual confirmations from all INEDs confirming their independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all INEDs are independent.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Director's securities transaction during the year under review.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the directors, the Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2019, except as disclosed below.

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the year, not all independent non-executive directors attended general meetings of the Company due to other business engagements, which deviates from code provision A.6.7.

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, the chairman of the board and the chairman of nomination were unable to attend the annual general meeting held on 14 June 2019 (the "2019 AGM") due to their other business commitments. Our chairman appointed Mr. Cheng Ching Fu, the executive director of the Company, to chair the meeting on his behalf and the chairmen of the audit and remuneration committees also attended the 2019 AGM.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

BOARD COMMITTEES

The Board has established four board committees to strengthen its functions and corporate governance practices, namely, Audit Committee, Investment and Risk Management Committee, Remuneration Committee and Nomination Committee. All Committees perform their specific roles and duties in accordance with their respective written terms of reference.

Audit Committee

The Audit Committee was established in 1999 and all members are INEDs. Members of the Audit Committee are Mr. Goh Gen Cheung (Chairman), Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Xie Ming. The Audit Committee is chaired by Mr. Goh Gen Cheung who is an associate member of the Chartered Institute of Bankers and has over 30 years of treasury, finance and banking experience. All members of this committee hold the relevant industry and financial experience necessary to advise on Board strategies and other related matters. The Board adopted a set of the revised terms of reference of the Audit Committee effective from 1 January 2019, which had included changes in line with the requirements under the Listing Rules. The Audit Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

The Audit Committee is mainly responsible for considering all relationships between the Company and the auditing firm (including the provision of non-audit services), monitoring the integrity of the Company's financial statements and issues arising from the audit, and reviewing the Group's internal controls and risk management. In addition, the Audit Committee had been delegated the responsibility to perform the corporate governance functions including:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (continued)

Audit Committee (continued)

Every year, the Audit Committee meets with the Group's independent auditors to discuss the annual audit plan. The meetings of the Audit Committee are attended by members of the committee, and where necessary, the independent auditors. Independent auditors made presentations to the Audit Committee on implications of the introduction of new accounting standards in Hong Kong and their audit methodologies. The Audit Committee subsequently reported its recommendations to the Board for further review and approval. The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the independent auditors and the effectiveness of the audit process. All partners of independent auditors are subject to periodic rotations, and where necessary, the ratio of annual fees for non-audit services and for audit service is subject to close scrutiny by the Audit Committee.

A summary of the work performed by the Audit Committee during the year ended 31 December 2019, the Audit Committee reviewed and discussed consolidated financial statements of the Group for the financial year ended 31 December 2019 and the Group's unaudited interim results for the six months ended 30 June 2019 with the external auditor, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company and internal control system and risk management and determined the policy for corporate governance. The Group's annual report for the year ended 31 December 2019 has been reviewed by the Audit Committee.

The terms of reference of the Audit Committee which can be viewed on the website of the Company under the section headed "Management" and the website of the Stock Exchange.

Investment and Risk Management Committee

The investment and risk management committee was established on 4 May 2011 and is mainly responsible for: (i) assessing and recommending to the Board all possible investment proposals prepared by the senior management; (ii) analysing the possible adverse effect of global economic environment and recommending measures and solutions to the Board; and (iii) assessing the operating risks of the Group and recommending solutions to the Board.

For the year ended 31 December 2019, the members of the investment and risk management committee were Mr. Qian Xu (Chairman), Mr. Siu Kin Wai, Mr. Dong Qilin, Mr. Li Changfeng and Mr. Cheng Ching Fu. All members are executive directors of the Company as the committee will mostly involve in operational matters of the Company.

A summary of the work performed by the Investment and Risk Management Committee during the year ended 31 December 2019, the Investment and Risk Management Committee reviewed and assessed all acquisitions, investments and disposals proposed by the senior management in terms of their benefits to the Company and the potential risks associated. There are six meetings held by the Investment and Risk Management Committee during the year. The terms of reference of the Investment and Risk Management Committee which can be viewed on the website of the Company under the section headed "Management" and the website of the Stock Exchange.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (continued)

Remuneration Committee

The Remuneration Committee was established in 2005. The majority of the Remuneration Committee members are INEDs. Members of the Remuneration Committee are Mr. Goh Gen Cheung (Chairman), Mr. Yu Luning, Mr. James Chan, Mr. Song Lishui and Mr. Xie Ming. The Board adopted a set of the revised terms of reference of the Remuneration Committee effective from 30 March 2012, which had included changes in line with the requirements under the Listing Rules. The Remuneration Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management with the Board retaining the final authority to approve executive Directors' and senior management remuneration. Its principal role is to assist the Board to oversee the policy and structure of the remuneration of the Director(s) of the Company and senior officers of the Group. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no Director is involved in decision of his own remuneration.

A summary of the work performed by the Remuneration Committee during the year ended 31 December 2019, the Remuneration Committee have reviewed remuneration policy and oversee the remuneration packages of executive Directors and senior management taking into consideration 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 which can be viewed on the website of the Company under the section headed "Management" and the website of the Stock Exchange.

Nomination Committee

The Nomination Committee was established in 2005. The majority of the Nomination Committee members are INEDs. Members of the Nomination Committee are Mr. James Chan (Chairman), Mr. Goh Gen Cheung, Mr. Qian Xu, Mr. Yu Luning, Mr. Song Lishui and Mr. Xie Ming. The Board adopted a set of the terms of reference of the Nomination Committee effective from 30 August 2013, which had included changes in line with the requirements under the Listing Rules. The Nomination Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The major responsibilities of the Nomination Committee include to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer as well as the senior management.

A summary of the work performed by the Nomination Committee during the year ended 31 December 2019, the Nomination Committee has reviewed and evaluated the composition of the Board with reference to certain criteria. These criteria included qualifications required under the Listing Rules or any other relevant laws regarding characteristics and skills of the Directors, professional ethics and integrity, appropriate professional knowledge and industry experience, as well as ability to devote sufficient time to the work of the Board and its committees and to participate in all Board meetings and shareholders' meetings; reviewed and recommended the re-appointment of the retiring Directors; and assessed independence of the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (continued)

Nomination Committee (continued)

The terms of reference of the Nomination Committee which can be viewed on the website of the Company under the section headed "Management" and the website of the Stock Exchange.

The Company has adopted nomination policy (the "Nomination Policy") on 15 February 2019. The purpose is to identify and evaluate a candidate for nomination to the Board for appointment or to the Shareholders for election as a Director. The nomination committee of the Company (the "Nomination Committee") shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

- Reputation for integrity;
- Accomplishment and experience;
- Commitment in respect of available time and relevant interest;
- The Company' board diversity policy that ensures the Board has diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and
- In the case of independent non-executive Directors, the independence of the candidate (the independence requirements as set out under any applicable laws, rules and regulations shall have been met).

Each proposed new appointment, election or re-election of a director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for evaluating and determining the nature and extent of the risks that should be taken in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems to safeguard the Group's assets and shareholders' interests. The internal audit department of the Group is responsible for performing independent review of the adequacy and effective of the risk management and internal control systems and plays a major role in monitoring the risk management and internal controls of the Group and reports directly to the Audit Committee. It has full access to review all aspects of the Group's activities, risk management and internal controls. All types of internal audited reports are circulated to the Audit Committee and key management, which will follow up on any actions and measures taken to improve risk management and internal controls on its findings and recommendations by the internal audit department.

The Group's risk management and internal control system includes the setting up of a management structure with limits of authority, and is designed to help the Group achieve its business objectives, protects its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

During the year under review, the internal audit department conducted reviews of the effectiveness and adequacy of the Group's risk management and internal control systems, over financial, operational, compliance control and risk management functions with emphasis on construction cost, budget control, human resource management and accounting reporting. After the review, the Board together with the Audit Committee considers that there were no significant internal control or risk management issues that would have an adverse impact on the financial position or operations of the Group, but certain areas for improvement have been identified by the internal audit department. The management of the Group has adopted various rectification measures according to the internal audited report. After a follow-up examination by the internal audit department, all internal control issues were rectified. The Group also understands that risk management and internal control systems are not merely about policies and manuals, but about people and the actions they take at every level of the Group. To support all employees, regular training is provided to strengthen their awareness of risk and capability to manage risks. The Board together with the Audit Committee reviewed that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year.

DIVIDEND POLICY

The Company has adopted a dividend policy on 15 February 2019. It aims to provide Shareholders with stable and sustainable returns.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. Any payment of the dividend by the Company is also subject to any restrictions under the Laws of Bermuda, the Bye-Laws of the Company and any applicable laws, rules and regulations.

The declaration and payment of any dividend shall be determined at the sole discretion of the Board having taken into account, inter alia, the general financial condition of the Group, the Group's actual and future operations and liquidity position, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios and the debt level, any restrictions on payment of dividends that may be imposed by the Group's lenders, the retained earnings and distributable reserves of the Company and each of the members of the Group, the shareholders' and the investors' expectation and industry's norm, the general market conditions and any other factors that the Board deems appropriate.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities and Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year under review, external auditor's remuneration for annual audit services was approximately HK$4.4 million; and external auditor's remuneration for non-audit service assignments was approximately HK$2.0 million, which represented agreed-upon procedures engagement in connection with the Group's interim report, tax advisory and compliance services and financial and tax due diligence assignments. The Audit Committee had concluded that it is satisfied with the findings of its review of the audit and non-audit services fees, process and effectiveness, independence and objectivity.

COMPANY SECRETARY

Mr. Cheng Ching Fu, as the executive director, chief financial officer and company secretary of the Company. The biographical details of Mr. Cheng are set out under the section headed "Directors and Senior Management". In accordance with Rule 3.29 of the Listing Rules, Mr. Cheng has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial year which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditors, is set out on pages 62 to 68 of the "Independent Auditor's Report" in this annual report.

SHAREHOLDERS' RIGHTS

Convening a special general meeting by shareholders ("SGM")

The Board shall be on the written requisition of shareholders of the Company holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid-up capital of the Company carrying the right of voting at the SGM, forthwith proceed duly to convene the SGM ("Requisition"). The Requisition, which may consist of several documents in like form each signed by one or more requisitionists, must state the objects of the SGM and deposited at the Company's head office and principal place of business in Hong Kong.

If the Board does not within twenty-one days from the date of the deposit of the Requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM in the same manner, as nearly as possible, as that in which SGM may be convened by the Board, but any meeting so convened shall not be held after the expiration of three months from the aforesaid date of the deposit of the Requisition.

All reasonable expenses incurred by the requisitionists as a result of the failure of the Board to convene such a SGM shall be reimbursed to them by the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (continued)

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board for the attention of the secretary of the Company ("Company Secretary") via email (ir@bphl.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for putting forward proposals at shareholders' meetings

If a shareholder of the Company wishes to put forward proposals at the annual general meeting (the "AGM")/SGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the Bye-laws and the Listing Rules.

1. A shareholder shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/SGM.

2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

3. The period for lodgment of the foregoing notices required under the Bye-Laws shall commence on the day after the despatch of the notice of the AGM/SGM and end no later than 7 days prior to the date of the AGM/SGM and such period shall be at least 7 days.

4. If the foregoing notices shall be received less than 10 business days prior to the date of such AGM/SGM, the Company needs to consider the adjournment of such AGM/SGM in order to allow shareholders of the Company 14 days' notice (the notice period must include 10 business days) of the proposal.

5. The foregoing notice of intention to propose a resolution will be verified by the Company's branch share registrar in Hong Kong (the "Branch Share Registrar"). Upon confirmation from the Branch Share Registrar, the Company Secretary will present to the board of Directors for their approval on the inclusion of the proposed resolutions in the AGM/SGM.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

Communication with shareholders

The Board believes that effective and proper investor relations play an important role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence.

During the financial year ended 31 December 2019, the Company has proactively taken the following measures to ensure effective shareholders' communication and enhance our transparency:

1. maintained frequent contacts with institutional shareholders and investors through various channels such as meetings, telephone and emails; and

2. updated regularly the Company's news and developments through the "investor relations" section of the Company's website.

The above measures will provide shareholders with the latest development of the Group as well as the real estate including high-end and modern general warehouse, cold chain logistics warehouse and trading business, specialised wholesale market, industrial property, commercial property and primary land development.

Constitutional documents

The special resolution regarding the amendments to the Bye-laws had been passed by the shareholders of the Company at the AGM held on 29 June 2012. There was no change to the Company's Memorandum of Association and Bye-laws during the year ended 31 December 2019. An updated consolidated version of the Memorandum of Association and Bye-Laws is available on both the websites of the Company and the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Beijing Properties (Holdings) Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Properties (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 173, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the financial statements which indicates that as at 31 December 2019, the Group's had net current liabilities of HK$5.6 billion. This condition, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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. In addition to the matters described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter

Valuation of investment properties and net realisable value of land held for development or sale

At 31 December 2019, the Group had investment properties with a total carrying amount of HK$8,313,994,000, of which HK$2,435,192,000 was included in assets of disposal groups classified as held for sale. These properties were mainly located in the People's Republic of China ("PRC") and are either leased to third parties or under construction. The Group adopts the fair value model to measure its investment properties in accordance with Hong Kong Accounting Standard ("HKAS") 40 *Investment Property* and, for the purpose of assisting management in their assessment of the fair values, engaged an independent professional valuer to perform fair value valuations of all its investment properties.

In addition, as at 31 December 2019, the Group had land held for development or sale with a total carrying amount of HK$4,373,799,000, which represented 24% of the total assets of the Group as at that date. These properties were located in Cambodia and the PRC. Land held for development or sale are stated at the lower of cost and net realisable value. The net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. The Group engaged an independent professional valuer to perform fair value valuations of all its land held for development or sale for impairment assessment.

The valuations of investment properties and land held for development or sale involve significant judgements and estimation.

The significant accounting judgements and estimates and disclosures for fair value measurement of investment properties and land held for development or sale are included in notes 3, 14 and 21 to the consolidated financial statements.

How our audit addressed the key audit matter

We evaluated the objectivity, independence and competence of the external valuer. We reviewed the data used as inputs for the valuations and also involved our internal valuation specialists to assist us in evaluating the valuation methodologies adopted and performing market value benchmarking against comparable properties on a sample basis. Finally, we assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of interests in an associate The Group held interests in associates, which is accounted for using the equity method. In accordance with HKAS 36 *Impairment of Assets*, where an indication of impairment of these assets exists, the Group will estimate the recoverable amounts of the relevant assets based on the higher of the value-in-use and the fair value less costs of disposal. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. At 31 December 2019, the Group identified that the market value of the one of the Group's major associates (the "Associate") was lower than its carrying amount of HK$518 million as of that date. Hence, the Group performed an impairment assessment on this investment in the Associate by calculating its recoverable amount based on value-in-use as determined by the discounted cash flow model of the Associate's core businesses, and the fair value of the Associate's non-core businesses assets, including lands, properties and listed equity investments etc. Based on the assessment result, impairment loss of HK$78 million had been recognised by the Group during the year on the investment of the Associate. The significant accounting judgements and estimates and disclosures for the impairment testing of interests in an associate are included in notes 3 and 19 to the consolidated financial statements, respectively.	We evaluated the objectivity, independence and competence of the external valuer. For the Associate's core businesses, we evaluated the reasonableness of the inputs and assumptions used to determine the cash flow forecasts against historical performance, economic and industry indicators and the Group's strategies plans. We also involved our internal specialists to assess the appropriateness of the discount rates used and performed the sensitivity analysis on the above key assumptions, considering a range of alternative outcomes to determine sensitivity of results to changes in assumptions. For the properties and lands relating to the Associate's non-core businesses, we reviewed the data used as inputs for the valuations and also involved our internal valuation specialists to assist us in evaluating the valuation methodologies adopted and performing market value benchmarking against comparable assets. Finally, we assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is TSANG, Chiu Hang.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019 HK$'000**	2018 HK$'000
REVENUE	5	**692,657**	480,705
Cost of sales and services		**(379,779)**	(155,678)
Gross profit		**312,878**	325,027
Changes in fair value of investment properties, net	14	**163,041**	478,053
Other income and gains, net	6	**112,802**	123,232
Selling and distribution expenses		**(15,000)**	(15,976)
Administrative expenses		**(229,811)**	(239,265)
Other expenses		**(95,999)**	(37,595)
Finance costs	7	**(498,639)**	(490,364)
Share of profits and losses of:			
Joint ventures	18(b)	**82,566**	167,309
Associates	19(b)	**(99,893)**	6,108
PROFIT/(LOSS) BEFORE TAX	8	**(268,055)**	316,529
Income tax	11	**(149,044)**	(216,329)
PROFIT/(LOSS) FOR THE YEAR		**(417,099)**	100,200
Attributable to:			
Shareholders of the Company		**(504,191)**	(23,677)
Non-controlling interests		**87,092**	123,877
		(417,099)	100,200
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12		
Basic and diluted		**(HK7.23 cents)**	(HK0.34 cent)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**(417,099)**	100,200
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**(150,091)**	(449,391)
– Share of other comprehensive loss of:			
Joint ventures		**(20,177)**	(54,569)
Associates		**(6,862)**	(13,284)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(177,130)**	(517,244)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
– Changes in fair value of equity investment at fair value through other comprehensive income, net of income tax of nil		**(17,440)**	(30,176)
– Actuarial losses of defined benefit plans	35(b)	**(1,089)**	(3,153)
– Share of other comprehensive income/(loss) of:			
Joint ventures		**81,036**	–
Associates		**(3,703)**	(1,321)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**58,804**	(34,650)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX OF NIL		**(118,326)**	(551,894)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(535,425)**	(451,694)
Attributable to:			
Shareholders of the Company		**(611,479)**	(482,812)
Non-controlling interests		**76,054**	31,118
		(535,425)	(451,694)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,064,352**	1,135,586
Investment properties	14	**5,878,802**	7,636,423
Right-of-use assets	16(b)	**82,193**	–
Prepaid land lease payments	16(a)	**–**	83,072
Goodwill	17	**123,022**	186,104
Interests in joint ventures	18	**1,816,152**	1,795,922
Interests in associates	19	**684,663**	877,790
Equity investment at fair value through other comprehensive income	20	**5,347**	22,787
Prepayments, deposits and other receivables	25	**9,201**	29,681
Land held for development or sale	21	**4,373,799**	4,316,982
Pledged and restricted bank deposits	27	**6,266**	62,759
Deferred tax assets	36	**33,257**	28,325
Total non-current assets		**14,077,054**	16,175,431
CURRENT ASSETS			
Properties held for sale	22	**90,419**	91,995
Inventories	23	**165,322**	1,695
Trade receivables	24	**15,358**	10,633
Prepayments, deposits and other receivables	25	**159,850**	101,127
Due from joint ventures	18	**140,427**	153,813
Due from associates	19	**87**	29,126
Pledged and restricted bank deposits	27	**28,084**	656,199
Cash and cash equivalents	27	**973,696**	1,101,402
		1,573,243	2,145,990
Assets of disposal groups classified as held for sale	15	**2,673,885**	–
Total current assets		**4,247,128**	2,145,990
CURRENT LIABILITIES			
Trade payables	28	**2,812**	9,553
Other payables and accruals	29	**2,098,220**	1,106,628
Due to a joint venture	18	**3,399**	127,239
Due to other related parties	26	**13,901**	167,900
Bank and other borrowings	30	**2,255,581**	1,115,297
Guaranteed bonds	31	**4,276,188**	–
Income tax payables		**55,155**	65,801
Provision for compensation	32	**221,878**	225,586
		8,927,134	2,818,004
Liability directly associated with the assets of disposal groups classified as held for sale	15	**905,534**	–
Total current liabilities		**9,832,668**	2,818,004

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NET CURRENT LIABILITIES		**(5,585,540)**	(672,014)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,491,514**	15,503,417
NON-CURRENT LIABILITIES			
Due to a joint venture	18	**197,779**	–
Due to other related parties	26	**175,911**	451,948
Bank and other borrowings	30	**1,404,326**	2,394,701
Guaranteed bonds	31	**–**	4,246,036
Derivative financial instrument	33	**–**	20,937
Deferred revenue	34	**114,124**	210,481
Defined benefit obligations	35(b)	**19,878**	19,427
Deferred tax liabilities	36	**1,397,498**	1,589,657
Total non-current liabilities		**3,309,516**	8,933,187
Net assets		**5,181,998**	6,570,230
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	37	**696,933**	696,933
Reserves	39(a)	**2,513,201**	3,233,645
		3,210,134	3,930,578
Non-controlling interests		**1,971,864**	2,639,652
Total equity		**5,181,998**	6,570,230

Qian Xu
Director

Siu Kin Wai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

		Attributable to shareholders of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000 (note 39(b))	Capital and other reserves HK$'000	Financial asset revaluation reserve HK$'000	Defined benefit plan reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserves HK$'000 (note 39(c))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018		685,260	1,730,046	367,278	180,715	(17,399)	(81,738)	(2,675)	(142,654)	3,004	1,697,486	4,419,323	2,373,316	6,792,639
Profit/(loss) for the year		-	-	-	-	-	-	-	-	-	(23,677)	(23,677)	123,877	100,200
Other comprehensive income for the year:														
– Changes in fair value of equity investments at fair value through other comprehensive income, net of income tax of nil		-	-	-	-	-	(30,176)	-	-	-	-	(30,176)	-	(30,176)
– Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(375,732)	-	-	(375,732)	(73,659)	(449,391)
– Share of other comprehensive loss of a joint venture		-	-	-	-	-	-	-	(35,469)	-	-	(35,469)	(19,100)	(54,569)
– Share of other comprehensive income/(loss) of associates		-	-	-	-	2,380	(3,701)	-	(13,284)	-	-	(14,605)	-	(14,605)
– Actuarial loss of defined benefit plans	35	-	-	-	-	-	-	(3,153)	-	-	-	(3,153)	-	(3,153)
Total comprehensive income/(loss) for the year		-	-	-	-	2,380	(33,877)	(3,153)	(424,485)	-	(23,677)	(482,812)	31,118	(451,694)
Reduction in consideration shares to be issued for the acquisition of a subsidiary in the prior year as a result of a change in settlement terms of consideration		-	-	-	-	(4,203)	-	-	-	-	(2,342)	(6,545)	-	(6,545)
Issue of consideration shares for the acquisition of a subsidiary in the prior year	37	11,673	32,101	-	-	(43,774)	-	-	-	-	-	-	-	-
Contribution from the non-controlling equity holder of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	3,414	3,414
Deemed disposal of subsidiaries without loss of control	39(d)	-	-	-	-	715	-	-	-	-	-	715	231,804	232,519
Reclassification		-	-	-	-	-	8,120	-	-	-	(8,223)	(103)	-	(103)
Transfer to reserves		-	-	-	-	-	-	-	-	6,234	(6,234)	-	-	-
At 31 December 2018 and 1 January 2019		**696,933**	**1,762,147***	**367,278***	**180,715***	**(62,281)***	**(107,495)***	**(5,828)***	**(567,139)***	**9,238***	**1,657,010***	**3,930,578**	**2,639,652**	**6,570,230**
Profit/(loss) for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(504,191)**	**(504,191)**	**87,092**	**(417,099)**
Other comprehensive income/(loss) for the year:														
– Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(139,718)**	**-**	**-**	**(139,718)**	**(10,373)**	**(150,091)**
– Changes in fair value of equity investment at fair value through other comprehensive income, net of income tax of nil		**-**	**-**	**-**	**-**	**-**	**(17,440)**	**-**	**-**	**-**	**-**	**(17,440)**	**-**	**(17,440)**
– Share of other comprehensive income/(loss) of joint ventures		**-**	**-**	**-**	**-**	**81,036**	**-**	**-**	**(19,512)**	**-**	**-**	**61,524**	**(665)**	**60,859**
– Share of other comprehensive income/(loss) of associates		**-**	**-**	**-**	**-**	**252**	**(3,955)**	**-**	**(6,862)**	**-**	**-**	**(10,565)**	**-**	**(10,565)**
– Actuarial losses of defined benefit plans	35	**-**	**-**	**-**	**-**	**-**	**-**	**(1,089)**	**-**	**-**	**-**	**(1,089)**	**-**	**(1,089)**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**81,288**	**(21,395)**	**(1,089)**	**(166,092)**	**-**	**(504,191)**	**(611,479)**	**76,054**	**(535,425)**
Acquisition of non-controlling interest		**-**	**-**	**-**	**-**	**(108,965)**	**-**	**-**	**-**	**-**	**-**	**(108,965)**	**(1,192,827)**	**(1,301,792)**
Contributions from non-controlling equity holders of subsidiaries		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**448,985**	**448,985**
Transfer of share option reserve upon cancellation of share options	38(c)	**-**	**-**	**-**	**(16,602)**	**-**	**-**	**-**	**-**	**-**	**16,602**	**-**	**-**	**-**
Transfer to reserves		**-**	**-**	**-**	**-**	**23,821**	**-**	**-**	**-**	**4,811**	**(28,632)**	**-**	**-**	**-**
At 31 December 2019		**696,933**	**1,762,147***	**367,278***	**164,113***	**(66,137)***	**(128,890)***	**(6,917)***	**(733,321)***	**14,049***	**1,140,789***	**3,210,134**	**1,971,864**	**5,181,998**

* These reserve accounts comprise the consolidated reserves of HK$2,513,201,000 (2018: HK$3,233,645,000) in the consolidated statement of financial position as at 31 December 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(268,055)**	316,529
Adjustments for:			
Bank interest income	6	**(17,904)**	(40,924)
Other interest income	6	**(7,997)**	(28,184)
Government grants	6	**(45,400)**	(8,928)
Fair value gain of investment properties, net	14	**(163,041)**	(478,053)
Fair value gain of a derivative financial instrument	6	**(4,693)**	(30,010)
Impairment of an associate	8	**77,893**	–
Impairment of items of property, plant and equipment	8	**10,552**	–
Loss on disposal of items of property, plant and equipment	8	**–**	26
Depreciation of property, plant and equipment	8	**45,591**	46,582
Depreciation of right-of-use assets (2018: Amortisation of prepaid land lease payments)	8	**2,924**	2,986
Provision/(reversal of provision) for compensation, net	8	**5,348**	(1,009)
Cost of defined benefit plans	8	**1,055**	1,103
Finance costs	7	**498,639**	490,364
Share of profits of joint ventures		**(82,566)**	(167,309)
Share of profits/(losses) of associates		**99,893**	(6,108)
Operating profit before working capital changes		**152,239**	97,065
Decrease/(increase) in inventories		**(171,120)**	7,115
Increase in land for development or sale		**(42,607)**	(116,356)
Decrease/(increase) in trade receivables		**(4,865)**	684
Decrease/(increase) in prepayments, deposits and other receivables		**(71,477)**	78,268
Decrease in amounts due from associates		**29,039**	7,565
Decrease in amounts due from joint ventures		**900**	3,682
Decrease in amounts due from other related parties		**–**	659
Increase/(decrease) in trade payables		**(7,015)**	278
Increase/(decrease) in other payables and accruals		**141,757**	(123,431)
Increase in amounts due to other related parties		**2,599**	7,418
Increase in amounts due to a joint venture		**2,563**	859
Decrease in defined benefit obligations		**(578)**	(557)
Cash generated from/(used in) operations		**31,435**	(36,751)
Mainland China income tax paid		**(46,764)**	(34,993)
Settlement for compensation	32	**(5,188)**	(4,671)
Net cash flows used in operating activities (note)		**(20,517)**	(76,415)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(5,267)**	(8,145)
Acquisition of investment properties		**(517,877)**	(465,994)
Government grants received		**40,862**	96,106
Payment in respect of acquisition of a subsidiary in prior year		**–**	(22,582)
Investments in joint ventures		**(325,619)**	(256,528)
Investment in an associate		**–**	(119,501)
Proceeds from disposal of items of property, plant and equipment		**731**	850
Refund of deposits paid for acquisition of subsidiaries		**–**	84,007
Proceeds from capital reduction of a joint venture		**–**	10,224
Advance to a joint venture		**(28,355)**	–
Repayment of loans advanced to a joint venture		**327,835**	408,493
Interest received		**17,904**	52,903
Decrease in time deposits with maturity of more than three months when acquired		**10,998**	153,115
Decrease in restricted cash		**52,650**	–
Net cash flows used in investing activities		**(426,138)**	(67,052)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from non-controlling equity holders of subsidiaries		**1,134**	3,414
New bank loans		**1,162,210**	700,414
Repayment of bank loans		**(639,008)**	(156,943)
New other loans		**253,607**	–
Repayment of other loans		**(7,939)**	–
Issue of guaranteed bonds		**–**	1,923,454
Repayment of guaranteed bonds		**–**	(2,374,792)
Deposit received for partial disposal of a subsidiary		**–**	117,546
Advance from a joint venture		**200,537**	–
Net advances from other related parties		**15,216**	593
Interest paid		**(481,412)**	(390,248)
Net cash flows from/(used in) financing activities		**504,345**	(176,562)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**57,690**	(320,029)
Cash and cash equivalents at beginning of year		**1,077,328**	1,458,522
Effect of foreign exchange rate changes, net		**(34,740)**	(61,165)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,100,278**	1,077,328
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Deposits placed with a fellow subsidiary	27	**412,883**	236,970
Time deposits	27	**222,504**	588,372
Other cash and bank balances	27	**372,659**	995,018
Less: Restricted cash and pledged deposits	27	**(34,350)**	(718,958)
Cash and cash equivalents as stated in the consolidated statement of financial position	27	**973,696**	1,101,402
Add: Restricted cash and pledged deposits in connection with bank borrowings		**34,350**	40,353
Cash and cash equivalents attributable to disposal groups held for sale	15	**133,656**	–
Less: Time deposits with maturity of more than three months when acquired		**(41,424)**	(64,427)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,100,278**	1,077,328

	2019 HK$'000	2018 HK$'000
Note: Net cash flows from operating activities comprises:		
Operating cash flows before including cost related to land held for development or sale	**22,090**	96,101
Cost related to land held for development or sale	**(42,607)**	(172,516)
Net cash flows used in operating activities	**(20,517)**	(76,415)

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION

Beijing Properties (Holdings) Limited (the "Company") is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

- leasing of commercial properties in the mainland ("Mainland China") of the People's Republic of China (the "PRC") and provision of related management services, and operating a hotel in Beijing, the PRC;
- provision of logistic services, including leasing of general warehouses, cold chain logistic warehouses and specialised wholesale market, and provision of related logistic and management services;
- leasing of industrial plants and provision of related management services;
- sale of land for development or sale, and provision of primary land development services; and
- sale of frozen products.

The immediate holding company of the Company is Beijing Enterprises Real Estate (HK) Limited ("BEREHK"), which is a limited liability company incorporated in the British Virgin Islands, and, in the opinion of the directors, the ultimate holding company of the Company is 北京控股集團有限公司 ("BE Group"), which is a state-owned enterprise established in the PRC and wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (the "Beijing SASAC").

Information about principal subsidiaries

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

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by the Group	Principal activities
China Logistics Infrastructures (Holdings) Limited ("China Logistics")Ω	British Virgin Islands/Hong Kong	US$100	100	Investment holding
廣州光明房產建設有限公司 ("Guangzhou Guangming")@	PRC/Mainland China	US$28,080,000	98.90	Shopping mall holding and leasing

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by the Group	Principal activities
北京金都假日飯店有限公司 ("BJ Holiday Inn")^	PRC/Mainland China	US$11,520,000	100	Hotel operation
Zhong Jian Jin Bian Jing Ji Te Qu Ltd ("Zhong Jian Jin Bian")	Cambodia	US$10,000,000	60	Primary land development
天津萬士隆國際物流有限公司@	PRC/Mainland China	US$6,660,000	100	General warehouse leasing
北建(上海)倉儲有限公司^	PRC/Mainland China	US$98,500,000	100	General warehouse leasing
廈門遜達洪通倉儲物流有限責任公司@	PRC/Mainland China	RMB135,000,000	80	General warehouse leasing
眉山遜達洪通倉儲有限責任公司 ("Meishan Xunda")@	PRC/Mainland China	RMB140,000,000	60	General warehouse leasing
天域萬隆物流(天津)有限公司^	PRC/Mainland China	US$9,800,000	100	General warehouse leasing
天津通達優智物流有限公司 ("Tianjin Tong Da You Zhi")^	PRC/Mainland China	HK$20,000,000	100	General warehouse leasing
通遼大華物流有限責任公司#	PRC/Mainland China	RMB23,848,800	100	General warehouse leasing and provision of logistic services
衢州通成農業發展有限公司^	PRC/Mainland China	RMB249,800,000	100	Specialised wholesale market leasing for the trading and distribution of local agricultural products
天津中漁置業有限公司@	PRC/Mainland China	RMB112,500,000	60	Provision of cold chain logistic warehouse management services

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by the Group	Principal activities
新丹物流設施發展(蘇州)有限公司^	PRC/Mainland China	US$60,000,000	54.36	Industrial plant development
嘉地工業地產發展(蘇州)有限公司^	PRC/Mainland China	US$50,000,000	54.36	Industrial plant development
嘉地工業地產發展(常熟)有限公司^	PRC/Mainland China	US$60,000,000	54.36	Industrial plant leasing
福城工業設施發展(太倉)有限公司^	PRC/Mainland China	US$30,000,000	54.36	Industrial plant leasing
寶地工業地產發展(嘉興)有限公司^	PRC/Mainland China	US$32,000,000	54.36	Industrial plant leasing
江蘇蘇南智城科技發展有限公司^	PRC/Mainland China	RMB800,000,000	72.48	Primary land development
北京養頤國際貿易限公司^	PRC/Mainland China	RMB25,000,000	100	Trading of frozen products
De Hong Global Trading Limited	Hong Kong	HK$1	100	Trading of frozen products
北京允中投資咨詢有限公司^	PRC/Mainland China	US$10,000,000	100	Office management

@ Registered as Sino-foreign joint ventures under PRC law.

^ Registered as wholly-foreign-owned enterprises under PRC law.

Registered as limited liability company under PRC law.

Ω Except for this entity which is directly held by the Company, all other principal subsidiaries are indirectly held by the Company.

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

At 31 December 2019, certain equity interests of subsidiaries with an aggregate net asset value of HK$3,025,294,000 (2018: HK$3,117,486,000) were pledged to secure certain bank loans granted to the Group (note 30(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.1 BASIS OF PRESENTATION

At 31 December 2019, the Group had net current liabilities of HK$5.6 billion. In assessing the Group's ability to operate as a going concern, a cash flow projection has been prepared by the management, which, inter alia, takes into account the historical operating performance of the Group and the following:

- subsequent to the reporting period, in February 2020, the Group has issued US$600 million (equivalent to HK$4,680 million) 5.95% guaranteed bond, due 2023;

- subsequent to the reporting period, in March 2020, the Group has obtained a syndicated loan with banking facilities of US$100 million (equivalent to HK$780 million), due in 2023;

- unutilised banking facilities of HK$341 million that are already available to the Group as at 31 December 2019, and the existing revolving banking facilities will be continued to be available to the Group;

- the Group is in the process of realising certain of its investments and/or properties through a public tender. Please refer to note 15 to the financial statements and the announcements dated 4 September 2019, 10 September 2019 and 29 October 2019 for further details;

- the Group is currently arranging additional banking facilities with financial institutions to further support the Group's funding needs should the aforesaid realisation of investments and/or properties not be completed in the upcoming year. An unbinding mandate for the arrangement of a syndicated facility of up to US$300 million (equivalent to HK$2,340 million) with a major bank has been obtained by the Group as at the date of approval of the financial statements.

The directors believe that, taking into account the above factors, the Group will have sufficient working capital to continue as a going concern. However, should the aforesaid realisation of the Group's assets be delayed and/or the existing and/or additional banking facilities be unavailable, the Group may be unable to continue as a going concern, in which case adjustments would have to be made to adjust the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, a derivative financial instrument, equity investment at fair value through other comprehensive income, defined benefit obligations and disposal groups held for sale which have been measured in accordance with the accounting policy as further explained in note 2.5 to the financial statements. These financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.2 BASIS OF PREPARATION (Continued)

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of new and revised standards

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Lease*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS11, HKAS 12 and HKAS 23

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

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

Therefore, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

New definition of a lease

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Adoption of new and revised standards (Continued)

(a) (Continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impact on transition

The Group elected to present the right-of-use assets separately in the statement of financial position. All these assets were assessed for any impairment based on HKAS 36 on that date. This includes the lease assets recognised previously under operating leases of HK$83,072,000 and HK$3,050,000 that were reclassified from prepaid land lease payments and prepayment, deposits and other receivables, respectively, as at 1 January 2019.

Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". When the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019 and to be measured at fair value in accordance with the Group's policy for "investment properties".

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Adoption of new and revised standards (Continued)

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

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

Business combinations and goodwill

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, deferred tax assets, land held for development or sale, financial assets, inventories and disposal groups classified as held for sale), 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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 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 a non-financial asset 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 profit or loss in the period in which it arises.

Related parties

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

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

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

or

(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 holding company, 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);

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

(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 holding company of the entity); and

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated 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 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 depreciates them accordingly.

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 estimated useful lives of different categories of property, plant and equipment are as follows:

Hotel property	40 years
Buildings and warehouses	Over the shorter of the lease terms and 40 years
Leasehold improvements	Over the shorter of the lease terms and 4 years
Plant and machinery	5-10 years
Furniture, fixtures and equipment	3-5 years
Motor vehicles	5 years

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 including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in 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.

Construction in progress represents building refurbishment, which is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties include both completed investment properties and investment properties under construction.

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

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and, subsequent to initial recognition, are stated at fair value at the end of the reporting period when the fair value can be determined reliably.

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of completed investment properties or investment properties under construction are recognised in profit or loss in the period of the retirement or disposal.

Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019)

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years

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

(b) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

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

Group as a lessor

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessor (Continued)

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

Leases (applicable before 1 January 2019)

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

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

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction cost.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

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

Subsequent measurement

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

(a) Financial assets at amortised cost (debt instruments)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach

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

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

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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 and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables and other payables, amounts due to related parties, bank borrowings, guaranteed bonds and a derivative financial instrument.

Subsequent measurement

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

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charge on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKFRS 9 are satisfied. No financial liabilities have been designated as fair value through profit or loss by the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

(b) Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition

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 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 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.

Land held for development or sale

Land held for development or sale is stated at the lower of cost and net realisable value and comprises the land acquisition cost, property transfer tax and other costs directly attributable to such land during the development period.

Net realisable value takes into account the Group's proceeds derived from the sale of land held for development or sale, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land held for development or sale, based on prevailing market conditions.

Any excess of cost over the net realisable value of individual items of land held for development or sale is recognised as an expense in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale of the properties.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes all cost of purchase, cost of conversion and other costs incurred in bring 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.

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.

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

Provisions

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

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

Income tax

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Hotel operation

Revenue from hotel operation comprises amounts earned in respect of rental of rooms, food and beverage and goods sales and other ancillary services. Revenue is recognised over the period when rooms are occupied or services are performed. Revenue from the sales of food and beverages and goods is recognised at the point of sales when the food and beverages and goods are delivered to the customers. Payment is due immediately when the hotel guest occupies the room and receives the services and goods.

(b) Sale of land

Revenue from the sale of land is recognised at the point in time when control of the asset is transferred to the customer.

(c) Provision of logistic and other ancillary services

Revenue from provision of logistic and other ancillary services is recognised as services are rendered.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(d) Provision of property management services

Revenue from provision of property management services is recognised over the scheduled period on the straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(e) Sale of frozen products

Revenue from the sale of frozen products is recognised at the point in time when control of the asset is transferred to the customer.

Revenue from other sources

(a) Rental income

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

(b) Interest income

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the a payment is made received or the a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

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

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

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

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

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapsed are deleted from the register of outstanding options. When the share options are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits (pension schemes)

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to 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 operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employee's salaries and are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. The employer contributions vest fully once made.

The Group also provided supplementary pension subsidies to retired employees. Such supplementary pension subsidies are considered to be defined benefit plans as they oblige the Group to provide post-employment benefits to employees. The benefits are unfunded. The liability recognised in the consolidated statements of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in other comprehensive income as they occur.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the construction 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. All other borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

The Company has used Hong Kong dollar as the presentation currency of these financial statements, which is different from the Company's functional currency of the United States dollar, because management of the Group ordinarily use Hong Kong dollar for management reporting. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

The functional currencies of the Company, certain subsidiaries, joint ventures and associates established in Mainland China and Cambodia are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

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

For the purpose of the consolidated statement of cash flows, the cash flows of the Company, certain subsidiaries established in Mainland China and Cambodia are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

NOTES TO FINANCIAL STATEMENTS

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is also made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation of fair value of investment properties and net realisable value of land held for development or sales

The Group adopts the fair value model to measure its investment properties in accordance with HKAS 40 Investment Property and engaged an independent professional valuer to perform fair value valuations of all its investment properties. In addition, the Group's land held for development or sale are stated at the lower of cost and net realisable value and the Group engaged an independent professional valuer to perform fair value valuations of all its land held for development or sale for impairment assessment.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) annual rental income supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Control over the hotel operation

The hotel operated by the Group is managed by a hotel manager. The hotel manager manages the day-to-day operations of the hotel and will charge a management fee and a marketing fee to the Group with reference to certain percentage of the total gross revenue of the hotel operation. In addition, the hotel manager will charge an incentive management fee based on a certain percentage of the hotel's net operating profit.

The directors of the Company assessed whether or not the hotel manager is a principal or agent of the Group. In making their judgement, the directors considered the mode of operation of the hotel manager. After assessment, the directors considered that the hotel manager's scope of decision-making authority is limited and the Group has the power to direct the relevant activities of the hotel operations such as the right to appoint the general manager of the hotel, review and approve the yearly financial budget and decide the hotel's operation plan. In addition, the Group has the right to remove the hotel manager in the situation when the hotel's performance cannot meet certain operating criteria as stated in the management agreement signed with the hotel manager. Accordingly, the directors considered that the Group holds substantive removal rights of the hotel manager and the hotel manager is compensated as stated above for managing the daily operation of the hotel. The directors considered that the remuneration paid to the hotel manager commensurate with the services provided and on an arm's length basis. Therefore, the directors considered that the hotel manager is an agent of the Group and the Group has control over the hotel operation.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant cash-generating units ("CGUs") to which the goodwill is allocated, which is the higher of the fair value less costs of disposal and value in use. In determining the fair value less cost of disposal of the CGUs, references are made to the valuation of investment properties, properties held for sale, buildings, warehouses and/or hotel property held and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business. The assessment of the recoverable amount requires the use of estimates and assumptions such as identifying comparable market transactions for completed investment properties and certain investment properties under construction. These estimates and assumptions are subject to risk and uncertainty. The assumptions were affected by expectations of future market or economic conditions. Therefore, there is a possibility that changes in circumstances will impact on these projections, which will have a corresponding impact on the recoverable amount of the CGUs, thus the goodwill impairment assessment. The carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2019 was HK$123,022,000 (2018: HK$186,104,000), details of which are set out in note 17 to the financial statements.

Impairment of interests in an associate

The Group determines that an indication of impairment existed for the interests in an associate on the basis that the carrying amount of the interests in the associate as at 31 December 2019 was high than its fair value based on prevailing market share price. Hence, the Group performed an impairment assessment of the interests in this associate. The determination of recoverable amount requires significant judgements by management, particular management's view on key internal inputs and external market conditions which impact future cash flows, discount rates, long term growth rates of the associate's core businesses and fair value measurements of certain non-core businesses assets. Based on management's assessment, impairment loss of HK$78,000,000 was recognised in profit or loss during the year ended 31 December 2019, details of which are set out in note 19 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Provision for compensation

As further disclosed in note 32 to the financial statements, Guangzhou Guangming, a subsidiary of the Group, involved in certain legal proceedings, arising from its failure to fulfill the compensation obligations liable to certain indigenous properties owners and tenants in accordance with the resettlement schedule agreed in prior years. Management determines the provision for compensation based on their best estimate, after considering all the available information such as the results of historical lawsuits, latest negotiations with local government authorities, certain indigenous properties owners and tenants, relevant rules and law and legal advice. If the final outcome of the claims and negotiations is different from the estimation made by management, such difference will impact on the provision for compensation in the period in which the liabilities of the compensation are concluded.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong, Mainland China and Cambodia. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made. The carrying amount of current tax payables carried as liabilities in the consolidated statement of financial position as at 31 December 2019 was HK$55,155,000 (2018: HK$65,801,000).

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies, details of which are set out in note 36 to the financial statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on usages of properties held and has five reportable operating segments as follows:

(a) the properties business segment engages in the leasing of commercial properties in Mainland China and the provision of related management services, and a hotel operation in Beijing, the PRC;

(b) the logistics business segment engages in the leasing of general warehouses, cold chain logistic warehouses and specialised wholesale market, and the provision of related logistic and management services;

(c) the industrial business segment engages in the leasing of industrial plants and provision of related management services;

(d) the trading business segment engages in the trading of frozen products; and

(e) the primary land development business segment engages in the sale of land held for development or sale and the provision of primary land development services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that fair value gain of a derivative instrument, foreign exchange differences, interest income, non-lease-related finance costs, as well as head office and corporate income/expenses are excluded from such measurement.

Segment assets exclude amounts due from joint ventures and associates, deferred tax assets, pledged and restricted bank deposits, cash and cash equivalents, equity investment at fair value through other comprehensive income and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude a derivative financial instrument, bank borrowings, amounts due to joint ventures and other related parties, guaranteed bonds, income tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

4. OPERATING SEGMENT INFORMATION (Continued)

	Property business		Logistics business		Industrial business		Trading business		Primary land development business		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Segment revenue:												
Sales to external customers	**132,646**	142,931	**244,296**	239,653	**27,858**	20,121	**287,857**	–	**–**	78,000	**692,657**	480,705
Segment results:												
The Group	**(63,927)**	257,928	**246,230**	239,582	**104,704**	80,378	**(12,082)**	–	**(1,725)**	15,498	**273,200**	593,386
Share of profits and losses of:												
Joint ventures	**–**	–	**82,566**	167,309	**–**	–	**–**	–	**–**	–	**82,566**	167,309
Associates	**(71,006)**	4,514	**–**	–	**–**	–	**–**	–	**(28,887)**	1,594	**(99,893)**	6,108
	(134,933)	262,442	**328,796**	406,891	**104,704**	80,378	**(12,082)**	–	**(30,612)**	17,092	**255,873**	766,803
Reconciliation:												
Fair value gain of a derivative instrument											**4,693**	30,010
Bank interest income											**17,904**	40,924
Other interest income											**7,997**	28,184
Foreign exchange differences, net											**10,628**	(37,109)
Corporate and other unallocated income and expenses, net											**(66,511)**	(21,919)
Finance costs											**(498,639)**	(490,364)
Profit/(loss) before tax											**(268,055)**	316,529
Segment assets	**2,899,173**	3,133,858	**7,895,429**	7,374,759	**1,673,221**	1,212,537	**196,681**	–	**4,365,128**	4,399,577	**17,029,632**	16,120,731
Reconciliation:												
Corporate and other unallocated assets											**1,294,550**	2,200,690
Total assets											**18,324,182**	18,321,421
Segment liabilities	**408,182**	401,321	**1,186,749**	921,880	**214,615**	111,765	**94,065**	–	**11**	2,430	**1,903,622**	1,437,396
Reconciliation:												
Corporate and other unallocated liabilities											**11,238,562**	10,313,795
Total liabilities											**13,142,184**	11,751,191

NOTES TO FINANCIAL STATEMENTS

31 December 2019

4. OPERATING SEGMENT INFORMATION (Continued)

	Property business		Logistics business		Industrial business		Trading business		Primary land development business		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Other segment information												
Depreciation of property, plant and equipment:												
Segment assets	**27,618**	29,489	**16,036**	16,798	**271**	194	**461**	–	**1**	72	**44,387**	46,553
Corporate and other unallocated assets											**1,204**	29
											45,591	46,582
Depreciation of right-of-use assets (2018: Amortisation of prepaid land lease payments)	**1,970**	1,988	**954**	998	**–**	–	**–**	–	**–**	–	**2,924**	2,986
Provision/(reversal of provision) for compensation, net	**5,348**	(1,009)	**–**	–	**–**	–	**–**	–	**–**	–	**5,348**	(1,009)
Interests in joint ventures	**–**	–	**1,720,702**	1,390,593	**–**	–	**–**	–	**–**	–	**1,720,702**	1,390,593
Interests in associates	**439,969**	598,638	**–**	–	**–**	–	**–**	–	**244,694**	279,152	**684,663**	877,790
Capital expenditure*:												
Segment assets	**4,960**	4,391	**405,813**	31,999	**335,640**	404,603	**25**	–	**–**	–	**746,438**	440,993
Corporate and other unallocated assets											**342**	354
											746,780	441,347

* Capital expenditure consists of additions of property, plant and equipment, investment properties and right-of-use assets (2018: prepaid land lease payments).

Geographical information

(a) Revenue from external customers

	2019 HK$'000	2018 HK$'000
Mainland China	**685,785**	402,705
Hong Kong	**6,872**	–
Cambodia	**–**	78,000
	692,657	480,705

The revenue information above is based on the locations where the transactions took place.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
Mainland China	**9,807,215**	11,533,311
Cambodia	**4,120,309**	4,120,300
Others	**9**	2,620
	13,927,533	15,656,231

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

Information about major customers

During the year ended 31 December 2019, the Group had no single external customer which contributed over 10% of the Group's total revenue for that year.

During the year ended 31 December 2018, revenue of HK$78,000,000 was derived from sales to a single customer of the primary land development business segment.

5. REVENUE

An analysis of revenue is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers	**453,511**	237,640
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	**981**	N/A
Other lease payments, including fixed payments	**238,165**	N/A
	239,146	243,065
	692,657	480,705

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. REVENUE (Continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Property business HK$'000	Logistics business HK$'000	Industrial business HK$'000	Trading business HK$'000	Primary land development business HK$'000	Total HK$'000
Types of goods and services						
Hotel operation	93,809	–	–	–	–	93,809
Logistics and other ancillary services	–	42,404	–	–	–	42,404
Property management fee	2,850	19,917	6,674	–	–	29,441
Sale of frozen products	–	–	–	287,857	–	287,857
Total revenue from contracts with customers	96,659	62,321	6,674	287,857	–	453,511
Geographical markets						
Mainland China	96,659	62,321	6,674	280,985	–	446,639
Hong Kong	–	–	–	6,872	–	6,872
Total revenue from contracts with customers	96,659	62,321	6,674	287,857	–	453,511
Timing of revenue recognition						
Goods transferred at a point of time	17,187	–	–	287,857	–	305,044
Services transferred over time	79,472	62,321	6,674	–	–	148,467
Total revenue from contracts with customers	96,659	62,321	6,674	287,857	–	453,511

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. REVENUE (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

For the year ended 31 December 2018

Segments	Property business HK$'000	Logistics business HK$'000	Industrial business HK$'000	Primary land development business HK$'000	Total HK$'000
Type of goods or services					
Hotel operation	97,636	–	–	–	97,636
Sale of land	–	–	–	78,000	78,000
Logistic and other ancillary services	–	36,305	–	–	36,305
Property management fee	2,749	17,880	5,070	–	25,699
Total revenue from contracts with customers	100,385	54,185	5,070	78,000	237,640
Geographical markets					
Mainland China	100,385	54,185	5,070	–	159,640
Cambodia	–	–	–	78,000	78,000
Total revenue from contracts with customers	100,385	54,185	5,070	78,000	237,640
Timing of revenue recognition					
Goods transferred at a point in time	20,130	36,305	–	78,000	134,435
Services transferred over time	80,255	17,880	5,070	–	103,205
Total revenue from contracts with customers	100,385	54,185	5,070	78,000	237,640

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. REVENUE (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

Information about the Group's performance obligations in contracts with customers is summarised below:

Hotel operation

Revenue from hotel operation comprises amounts earned in respect of rental of rooms, food and beverage and goods sales and other ancillary services. Revenue is recognised over the period when rooms are occupied or services are performed. Revenue from the sales of food and beverages and goods is recognised at the point of sales when the food and beverages and goods are delivered to the customers.

Logistics and other ancillary services

The performance obligation is satisfied over time as services are rendered.

Property management fee

The performance obligation is satisfied over time as services are rendered.

Sale of frozen products

The performance obligation is satisfied upon transfer of the control of frozen products and payment in advance is normally required.

Sale of land

The performance obligation is satisfied upon transfer of the control of land use rights and payment in advance is normally required.

NOTES TO FINANCIAL STATEMENTS

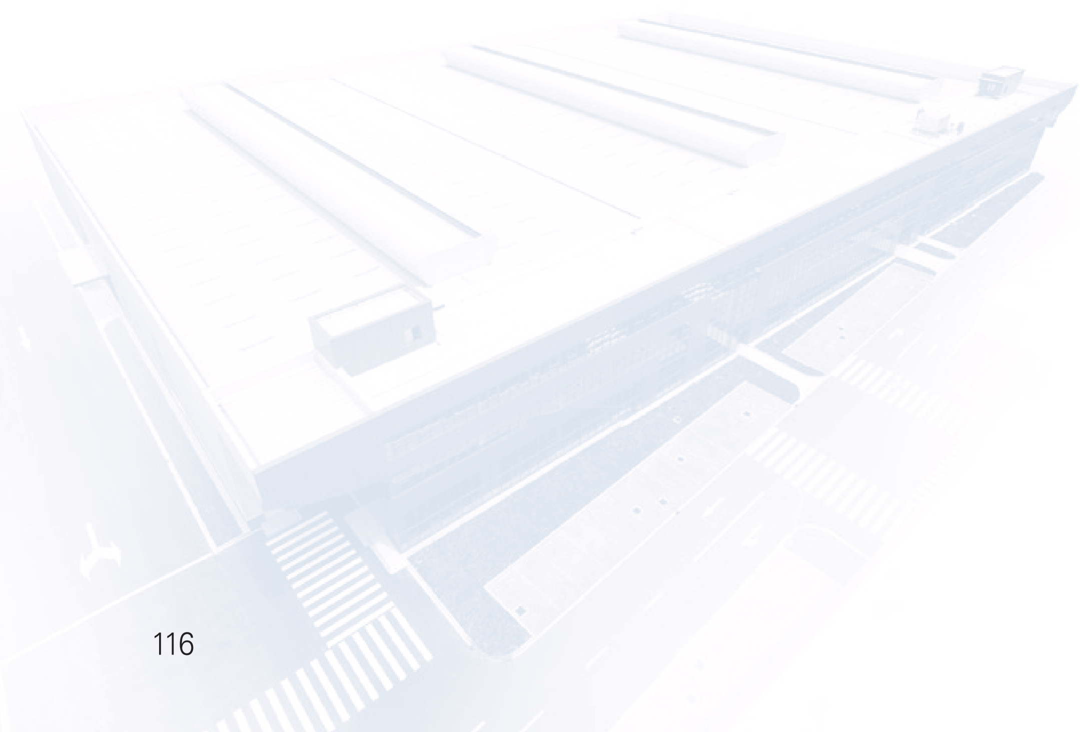
31 December 2019

6. OTHER INCOME AND GAINS, NET

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

	Note	**2019** **HK$'000**	2018 HK$'000
Other income			
Bank interest income		**17,904**	40,924
Other interest income		**7,997**	28,184
Government grants*		**45,400**	8,928
Others		**26,180**	15,186
		97,481	93,222
Gains, net			
Fair value gain of a derivative financial instrument	33	**4,693**	30,010
Foreign exchange differences, net		**10,628**	–
		15,321	30,010
Other income and gains, net		**112,802**	123,232

* The government grants recognised during the year represented grants received from certain government authorities in respect of the fulfilment of certain specific requirements in respect of the Group's investments in certain subsidiaries, construction of warehouses and purchase of land use rights and property, plant and equipment in the PRC.



NOTES TO FINANCIAL STATEMENTS

31 December 2019

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2019	2018
	HK$'000	HK$'000
Interest on bank and other loans	**198,887**	165,611
Interest on loans from related parties	**849**	226
Interest on guaranteed bonds	**307,617**	329,126
Other finance costs	**3,802**	693
Total finance costs	**511,155**	495,656
Less: Amount capitalised in investment properties under construction (note 14)	**(12,516)**	(5,292)
	498,639	490,364

NOTES TO FINANCIAL STATEMENTS

31 December 2019

8. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2019 HK$'000	2018 HK$'000
Direct cost of rental income		**19,501**	23,428
Cost of hotel operation		**46,542**	48,200
Cost of services provided		**26,798**	27,890
Cost of sale of land		**–**	56,160
Cost of goods sold		**286,938**	–
Depreciation of property, plant and equipment	13	**45,591**	46,582
Less: Amount included in cost of sales and services		**(23,918)**	(25,776)
		21,673	20,806
Depreciation of right-of-use assets (2018: Amortisation of prepaid land lease payments)	16	**2,924**	2,986
Minimum lease payments under operating leases in respect of land and buildings		**–**	11,802
Lease payments that not included in the measurement of lease liabilities		**9,068**	–
Loss on disposal of items of property, plant and equipment*		**–**	26
Impairment of an associate*		**77,893**	–
Impairment of items of property, plant and equipment*		**10,552**	–
Auditor's remuneration		**4,388**	4,388
Employee benefit expense (including directors' remuneration – note 9)			
Salaries, allowances and benefits in kind		**100,662**	103,961
Defined contribution scheme contributions		**18,722**	21,418
Cost of defined benefit plans	35(a)	**1,055**	1,103
		120,439	126,482
Less: Amount included in cost of sales and services		**(20,650)**	(24,526)
		99,789	101,956
Provision/(reversal of provision) for compensation, net*	32	**5,348**	(1,009)
Foreign exchange differences, net		**(10,628)**	37,109*

* These items are included in "Other expenses" on the face of the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

9. DIRECTORS' REMUNERATION

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

	2019 HK$'000	2018 HK$'000
Fees	**2,208**	2,219
Other emoluments:		
Salaries, allowances and benefits in kind	**6,245**	5,343
Performance-related bonus (note (a))	**–**	454
Pension scheme contributions	**336**	186
	6,581	5,983
	8,789	8,202

NOTES TO FINANCIAL STATEMENTS

31 December 2019

9. DIRECTORS' REMUNERATION (Continued)

An analysis of directors' remuneration, on a named basis, is as follows:

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonus HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2019					
Executive directors:					
Mr. Qian Xu	180	2,320	–	143	2,643
Mr. Siu Kin Wai	180	1,417	–	25	1,622
Mr. Ang Renyi (resigned on 8 October 2019)	120	–	–	–	120
Mr. Yu Luning	144	–	–	–	144
Mr. Li Changfeng	144	1,257	–	143	1,544
Mr. Dong Qilin	144	–	–	–	144
Mr. Zhao Jiansuo	144	–	–	–	144
Mr. Li Shuping	144	–	–	–	144
Mr. Cheng Ching Fu	144	1,251	–	25	1,420
Mr. Ng Kin Nam	144	–	–	–	144
	1,488	6,245	–	336	8,069
Independent non-executive directors:					
Mr. Goh Gen Cheung	144	–	–	–	144
Mr. James Chan	144	–	–	–	144
Mr. Zhu Wuxiang	144	–	–	–	144
Mr. Song Lishui	144	–	–	–	144
Mr. Xie Ming	144	–	–	–	144
	720	–	–	–	720
Total	2,208	6,245	–	336	8,789

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9. DIRECTORS' REMUNERATION (Continued)

An analysis of directors' remuneration, on a named basis, is as follows:

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonus HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2018					
Executive directors:					
Mr. Qian Xu	180	2,146	442	–	2,768
Mr. Siu Kin Wai	180	727	6	13	926
Mr. Ang Renyi	144	–	–	–	144
Mr. Yu Luning	144	–	–	–	144
Mr. Hu Yebi (resigned on 6 November 2018)	122	–	–	–	122
Mr. Li Changfeng	144	1,282	–	148	1,574
Mr. Dong Qilin	144	–	–	–	144
Mr. Zhao Jiansuo	144	–	–	–	144
Mr. Li Shuping	144	–	–	–	144
Mr. Cheng Ching Fu	144	1,188	6	25	1,363
Mr. Ng Kin Nam (appointed on 10 December 2018)	9	–	–	–	9
	1,499	5,343	454	186	7,482
Independent non-executive directors:					
Mr. Goh Gen Cheung	144	–	–	–	144
Mr. James Chan	144	–	–	–	144
Mr. Zhu Wuxiang	144	–	–	–	144
Mr. Song Lishui	144	–	–	–	144
Mr. Xie Ming	144	–	–	–	144
	720	–	–	–	720
Total	2,219	5,343	454	186	8,202

Notes:

(a) Certain executive directors of the Company are entitled to bonus payments which are determined by reference to the performance of the Group and individual's performance.

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

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2019 included four (2018: three) directors, details of whose remuneration are set out in note 9 above. The remuneration of the remaining one (2018: two) non-director, highest paid employees for the year fell within the band of HK$1,000,001 to HK$1,500,000 and details of their remuneration for the year are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**1,326**	2,606
Pension scheme contributions	**143**	297
	1,469	2,903

11. INCOME TAX

An analysis of the Group's income tax is as follows:

	2019 HK$'000	2018 HK$'000
Current – Hong Kong		
Withholding tax on interest income from intercompany loans	**3,376**	–
Current – Mainland China		
Charge for the year	**31,374**	36,082
Withholding tax on interest income from intercompany loans	**2,088**	–
Current – Cambodia		
Charge for the year	**–**	3,293
Deferred (note 36)	**112,206**	176,954
Total tax expense for the year	**149,044**	216,329

Notes:

(a) No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil).

The PRC and Cambodia corporate income tax provisions in respect of operations in Mainland China and Cambodia are calculated at the applicable tax rates on the estimated assessable profits for the year based on the prevailing legislation, interpretations and practices in respect thereof.

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11. INCOME TAX (Continued)

Notes: (Continued)

(b) A reconciliation of the tax applicable to profit/(loss) before tax at the statutory tax rates of the jurisdictions in which the Company and majority of its subsidiaries operate to the tax expense at the effective tax rates, and a reconciliation of the applicable tax rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Year ended 31 December 2019

	Hong Kong		Mainland China		Cambodia		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(657,926)		390,951		(1,080)		(268,055)	
Tax expense/(credit) at the statutory tax rate	(108,559)	16.5	97,738	25.0	(216)	20.0	(11,037)	4.1
Effect of deferred tax in respect of the proposed disposal of subsidiaries registered in the PRC	35,685	5.4	–	–	–	–	35,685	(13.3)
Effect of withholding tax on interest income from intercompany loans	3,376	(0.5)	2,088	0.5	–	–	5,464	(2.0)
Effect of deferred tax on dividend income from a subsidiary registered in the PRC	2,382	(0.4)	–	–	–	–	2,382	(0.9)
Profits/(losses) attributable to joint ventures and associates	11,705	(1.8)	(13,403)	(3.4)	–	–	(1,698)	0.6
Income not subject to tax	(25,239)	3.8	(14,452)	(3.7)	–	–	(39,691)	14.8
Expenses not deductible for tax	122,718	(18.7)	10,167	2.6	216	(20.0)	133,101	(49.7)
Tax losses not recognised as deferred tax assets	–	–	29,137	7.5	–	–	29,137	(10.9)
Tax losses utilised from previous periods	–	–	(4,299)	(1.1)	–	–	(4,299)	(1.6)
Tax expense at the Group's effective tax rate	42,068	(6.4)	106,976	27.4	–	–	149,044	(55.6)

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11. INCOME TAX (Continued)

Notes: (Continued)

(b) (continued)

Year ended 31 December 2018

	Hong Kong		Mainland China		Cambodia		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(393,833)		693,897		16,465		316,529	
Tax expense/(credit) at the statutory tax rate	(64,982)	16.5	173,474	25.0	3,293	20.0	111,785	35.3
Profit attributable to joint ventures and associates	(745)	0.2	(42,226)	(6.1)	–	–	(42,971)	(13.6)
Income not subject to tax	(15,043)	3.8	(4,222)	(0.6)	–	–	(19,265)	(6.1)
Expenses not deductible for tax	80,770	(20.5)	55,571	8.0	–	–	136,341	43.1
Tax losses not recognised as deferred tax assets	–	–	33,117	4.8	–	–	33,117	10.5
Tax losses utilised from previous periods	–	–	(2,678)	(0.4)	–	–	(2,678)	(0.8)
Tax expense at the Group's effective tax rate	–	–	213,036	30.7	3,293	20.0	216,329	68.3

The share of income tax attributable to joint ventures and associates amounting to HK$24,209,000 (2018: HK$60,035,000) and income tax credit of HK$700,000 (2018: HK$12,836,000), respectively, are included in "Share of profits and losses of joint ventures and associates" on the face of the consolidated statement of profit or loss.

12. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to shareholders of the Company and the weighted average number of 6,969,331,680 (2018: 6,883,302,462) ordinary shares in issue during the year.

In respect of the diluted loss per share amounts for the years ended 31 December 2019 and 2018, no adjustment has been made to the basic loss per share amounts presented as the impact of the share options outstanding during these years had an anti-dilutive effect on the basic loss per share amounts presented.

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13. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Buildings and warehouses HK$'000 (note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2019							
At 1 January 2019:							
Cost	635,060	562,270	20,017	75,247	24,837	10,994	1,328,425
Accumulated depreciation and impairment	(70,121)	(65,909)	(9,491)	(35,265)	(12,053)	–	(192,839)
Net carrying amount	564,939	496,361	10,526	39,982	12,784	10,994	1,135,586
Net carrying amount:							
At 1 January 2019	564,939	496,361	10,526	39,982	12,784	10,994	1,135,586
Additions	–	2,439	22	331	2,446	29	5,267
Depreciation provided during the year	(15,822)	(10,621)	(4,817)	(11,123)	(3,208)	–	(45,591)
Disposal	–	–	(265)	–	(458)	(8)	(731)
Impairment	(4,335)	–	(201)	(4,035)	(1,981)	–	(10,552)
Transfer to assets of disposal groups classified as held for sale (note 15)	–	–	–	–	(917)	–	(917)
Exchange realignment	(9,403)	(8,487)	(34)	(443)	(169)	(174)	(18,710)
At 31 December 2019	535,379	479,692	5,231	24,712	8,497	10,841	1,064,352
At 31 December 2019:							
Cost	624,179	554,946	19,416	74,283	23,914	10,841	1,307,579
Accumulated depreciation and impairment	(88,800)	(75,254)	(14,185)	(49,571)	(15,417)	–	(243,227)
Net carrying amount	535,379	479,692	5,231	24,712	8,497	10,841	1,064,352

NOTES TO FINANCIAL STATEMENTS

31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel property HK$'000	Buildings and warehouses HK$'000 (note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2018							
At 1 January 2018:							
Cost	669,963	252,573	18,192	78,227	19,487	11,413	1,049,855
Accumulated depreciation and impairment	(57,225)	(18,804)	(8,533)	(32,589)	(6,416)	–	(123,567)
Net carrying amount	612,738	233,769	9,659	45,638	13,071	11,413	926,288
Net carrying amount:							
At 1 January 2018	612,738	233,769	9,659	45,638	13,071	11,413	926,288
Transfer from investment properties (note 14)	–	308,175	–	–	–	–	308,175
Additions	–	–	2,615	265	4,217	1,048	8,145
Depreciation provided during the year	(16,546)	(21,824)	(2,129)	(2,952)	(3,131)	–	(46,582)
Disposal	–	–	(165)	(151)	(569)	–	(885)
Reclassification upon completion	–	–	909	–	–	(909)	–
Exchange realignment	(31,253)	(23,759)	(363)	(2,818)	(804)	(558)	(59,555)
At 31 December 2018	564,939	496,361	10,526	39,982	12,784	10,994	1,135,586
At 31 December 2018:							
Cost	635,060	562,270	20,017	75,247	24,837	10,994	1,328,425
Accumulated depreciation and impairment	(70,121)	(65,909)	(9,491)	(35,265)	(12,053)	–	(192,839)
Net carrying amount	564,939	496,361	10,526	39,982	12,784	10,994	1,135,586

Notes:

(a) At 31 December 2019, certain of the above buildings and warehouses of the Group with an aggregate net carrying amount of HK$13,151,000 (2018: HK$297,848,000) were pledged to secure certain bank loans granted to the Group (note 30(a)).

(b) BJ Holiday Inn, a wholly-owned subsidiary of the Group and the owner of a four-star business and leisure hotel located in Beijing, entered into an agreement on 12 November 2019 with an independent third party to redevelop the hotel property for health care business. The hotel has discontinued its operation in the first quarter of 2020 for the redecoration of the hotel property. In respect of the impairment assessment of the hotel operation, impairment loss of HK$10,552,000 (2018: Nil) on property, plant and equipment had been recognised by the Group during the year, after considering the fair value of the land use right of the hotel property as at 31 December 2019 and the utilisation of its plant and equipment in health care business.

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14. INVESTMENT PROPERTIES

	Notes	Completed HK$'000	Under construction HK$'000	Total HK$'000
Carrying amount as at 1 January 2018		**6,868,294**	**658,318**	**7,526,612**
Additions		**29,021**	**398,890**	**427,911**
Reclassification upon completion of construction		**75,910**	**(75,910)**	**–**
Net gain on fair value adjustments		**442,497**	**35,556**	**478,053**
Transfer to owner-occupied property	13, 16(a)	**(339,101)**	**–**	**(339,101)**
Interest capitalised	7	**–**	**5,292**	**5,292**
Exchange realignment		**(387,780)**	**(74,564)**	**(462,344)**
Carrying amount as at 31 December 2018 and 1 January 2019		**6,688,841**	**947,582**	**7,636,423**
Additions		**15,368**	**623,459**	**638,827**
Reclassification upon completion of construction		**851,922**	**(851,922)**	**–**
Interest capitalised	7	**–**	**12,516**	**12,516**
Net gain on fair value adjustments		**143,583**	**19,458**	**163,041**
Transfer to assets of disposal groups classified as held for sale	15	**(2,435,192)**	**–**	**(2,435,192)**
Exchange realignment		**(121,646)**	**(15,167)**	**(136,813)**
Carrying amount as at 31 December 2019		**5,142,876**	**735,926**	**5,878,802**

Notes:

(a) At 31 December 2019, the Group's investment properties, including those included in assets of disposal groups (note 15), consisted of fifteen (2018: thirteen) completed properties and five (2018: six) properties under construction.

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

At 31 December 2019, certain investment properties of the Group with an aggregate carrying amount of HK$6,198,446,000 (2018: HK$6,183,525,000), of which HK$1,928,466,000 is included in assets of disposal groups classified as held for sale (note 15), were pledged to secure certain bank loans granted to the Group (note 30(a)).

(b) The Group's investment properties were revalued on 31 December 2019 based on valuations performed by CHFT Advisory and Appraisal Ltd., independent professionally qualified valuers, at HK$8,313,994,000 (2018: HK$7,636,423,000), of which HK$2,435,192,000 are included in assets of disposal groups classified as held for sale (note 15). Each year, the Group's senior management decides which external valuers to be appointed for the external valuations of the Group's investment properties. Selection criteria include market knowledge, independence and whether professional standards are maintained. The Group's financial controller has on-going discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed.

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14. INVESTMENT PROPERTIES (CONTINUED)

Notes: (Continued)

(b) (Continued)

Fair value hierarchy disclosure

At 31 December 2019, fair value measurements of all of the Group's investment properties are using significant unobservable inputs (Level 3) as defined in HKFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's investment properties:

		Input/range of input	
Valuation techniques	**Significant unobservable inputs**	**2019**	2018
Completed investment properties			
Direct comparison method	(i) Price per square metre (sq.m)	**RMB2,081 – RMB86,570 per sq.m**	RMB3,000 – RMB85,180 per sq.m
Income capitalisation method	(i) Capitalisation rate (%)	**5.5-11%**	5.5-11%
	(ii) Monthly rental income per sq.m	**RMB19 – RMB540 per sq.m**	RMB24 – RMB540 per sq.m
Investment properties under construction			
Residual method	(i) Price per sq.m	**RMB2,870 per sq.m**	RMB3,110 – RMB3,738 per sq.m

Under the direct comparison method, comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

The income capitalisation method is applied based on net rental income that can be generated from the properties under the master lease to be executed for the properties with the allowance on the reversionary interest upon expiry of the master lease.

Under residual method, gross development value ("GDV") is assessed based on a hypothetical development scheme by direct comparison method with the deduction of the estimated development costs for the proposed development from the GDV in order to arrive at the fair value.

The above-mentioned valuations have been made on the assumption that the Group sells the properties in the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

An increase (decrease) in the capitalisation rate in isolation would result in a decrease (increase) in the fair value of the investment properties, while an increase (decrease) in the annual rental income and price per square metre in isolation would each result in an increase (decrease) in the fair value of the investment properties.

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15. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 4 September 2019 and 10 September 2019, the Group announced the decision to dispose of its entire equity interests in certain subsidiaries (the "Disposal Groups") which hold four warehouses in Shanghai and Tianjin through public tender ("Potential Disposal"). Since the Company is a State-owned enterprise, the Disposal Groups constitutes state-owned assets and the disposal of which is required to undergo the process of public tender through an approved equity exchange in accordance with the relevant PRC laws and regulations governing the disposal of State-controlled assets. The Potential Disposal will be carried out through China Beijing Equity Exchange ("CBEX") and the successful bidder(s) will enter into asset transaction agreements with the Group according to relevant rules and regulations of CBEX. The public tender process is still ongoing up to the date of approval of these financial statements. Further details are set out in the Company's announcements dated 4 September 2019, 10 September 2019 and 29 October 2019.

The major classes of assets and liabilities classified as held for sale are as follows:

	Notes	2019 HK$'000
Property, plant and equipment	13	917
Investment properties	14	2,435,192
Goodwill	17	63,082
Prepayment, deposits and other receivables		255
Due from a joint venture		28,779
Pledged and restricted bank deposits		12,004
Cash and cash equivalents		133,656
Assets of disposal groups classified as held for sale		2,673,885
Bank and other borrowings		571,435
Other payables and accruals		40,589
Income tax payables		2,005
Deferred tax liabilities	36	291,505
Liabilities directly associated with the assets of disposal groups classified as held for sale		905,534
Net assets of disposal groups held for sale		1,768,351

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16. LEASE

The Group as a lessee

The Group has lease contracts on land use right located in the PRC used in its operation. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. The details of lease contracts are further discussed below.

(a) Prepaid land lease payments (before 1 January 2019)

	HK$'000
Carrying amount as at 1 January 2018	61,167
Transfer from investment properties (note 14)	30,926
Amortisation recognised in profit or loss (note 8)	(2,986)
Exchange realignment	(2,985)
Carrying amount as at 31 December 2018	86,122
Current portion included in prepayments, deposits and other receivables (note 25)	(3,050)
Non-current portion	83,072

(b) Right-of-use assets

The Group's right-of-use assets are prepaid land lease payments and the movements during the year are as follows:

	HK$'000
As at 1 January 2019	86,122
Depreciation charge	(2,924)
Exchange realignment	(1,005)
As at 31 December 2019	82,193

Notes:

- At 31 December 2019, certain of the Group's right-of-use assets with a carrying amount of HK$17,599,000 (2018: prepaid land lease payments of HK$18,201,000) were sub-leased from certain grantees of the land use rights and therefore, the relevant land use rights were not registered under the name of the Group.

- At 31 December 2018, certain prepaid land lease payments of the Group with an aggregate carrying amount of HK$32,265,000 were pledged to secure certain bank loans granted to the Group (note 30(a)).

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16. LEASE (Continued)

The Group as a lessee (Continued)

(c) The amount recognised in profit or loss in relation to leases are as follows:

	2019 HK$'000
Depreciation charge of right-of-use assets	2,924
Expense relating to short-term lease and other leases with remaining lease terms ended on or before 31 December 2019	9,068
Total amount recognised in profit or loss	11,992

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 41(c) and 42(c), respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) consisting of one commercial property and fourteen warehouses (2018: one commercial property and twelve warehouses) in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$239,146,000 (2018: HK$243,065,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	159,033	206,461
After one year but within two years	87,176	226,815
After two years but within three years	45,124	53,174
After three years but within four years	24,432	33,580
After four years but within five years	21,529	25,019
After five years	57,058	117,209
	394,352	662,258

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17. GOODWILL

	2019			2018		
	Properties business HK$'000	**Logistics business HK$'000**	**Total HK$'000**	Properties business HK$'000	Logistics business HK$'000	Total HK$'000
Cost and net carrying amount as at 1 January	**44,031**	**142,073**	**186,104**	44,031	142,073	186,104
Transfer to assets of disposal groups held for sale (note 15)	**–**	**(63,082)**	**(63,082)**	–	–	–
Cost and net carrying amount as at 31 December	**44,031**	**78,991**	**123,022**	44,031	142,073	186,104

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following operating segments for impairment testing:

- Properties business
- Logistics business

(i) Properties business

The recoverable amount of the properties business has been determined by reference to the fair value less costs of disposal of each relevant business unit comprising the segment.

In assessing the fair value less costs of disposal of each individual business unit, references were made to the valuation of the investment properties, properties held for sale, buildings and/or hotel property held and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business unit. Fair values of the properties were determined based on valuations performed by independent valuers at year end or close to year end using direct comparison method, which has used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in HKFRS 13).

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the properties business segment as at 31 December 2019.

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17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

(ii) Logistics business

The recoverable amount of the logistics business has been determined by reference to the fair value less costs of disposal of each relevant business unit comprising the segment.

In assessing the fair value less costs of disposal of each individual business unit, references were made to the valuation of the investment properties, land under development or sale and warehouses in property, plant and equipment, and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business unit. Fair values of the properties were determined based on valuations performed by independent valuers at year end using direct comparison method which have used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in HKFRS 13).

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the logistics business segment as at 31 December 2019.

Key assumptions used in assessing the fair value less costs of disposal

The following describes each key assumption adopted by management for the purpose of impairment testing of goodwill:

- Fair value change

  There is no major material adverse change in the fair value of the property held by each cash-generating unit from the date of valuation.

- Realisation of assets and liabilities

  The identifiable assets and liabilities, excluding deferred tax liabilities recognised arising from the acquisition, can be realised at their book values.

- Business environment

  There are no major changes in the existing political, legal and economic conditions in Mainland China.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount of the logistic business segment cash-generating unit to exceed its recoverable amount.

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18. INTERESTS IN JOINT VENTURES

	Notes	2019 HK$'000	2018 HK$'000
Investments in joint ventures, included in non-current assets:			
Share of net assets		**1,701,419**	1,371,352
Goodwill on acquisition		**19,283**	19,241
	(b)	**1,720,702**	1,390,593
Due from a joint venture, included in non-current assets	(c)	**95,450**	405,329
Interests in joint ventures, included in non-current assets		**1,816,152**	1,795,922
Due from joint ventures, included in current assets	(c)	**140,427**	153,813
Due to a joint venture, included in current liabilities	(d)	**(3,399)**	(127,239)
Due to a joint venture, included in non-current liabilities	(d)	**(197,779)**	–
Total interests in joint ventures		**1,755,401**	1,822,496

Notes:

(a) Particulars of the Group's joint ventures, which are all indirectly held by the Company, are as follows:

Company name	Place of registration and business	Registered capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
北京北建通成國際物流有限公司 ("BIPL")*	PRC/Mainland China	RMB1,235,450,000	76	76	76	Logistic facilities development and leasing
天津港北建通城國際物流有限公司#	PRC/Mainland China	RMB240,000,000	50	50	50	Logistic facilities development
北京京泰物流置業有限公司	PRC/Mainland China	US$20,000,000	40	40	40	Dormant

* In the opinion of the directors, notwithstanding that the Group has over 50% voting power and/or ownership interest, the Group only has joint control over these entities because unanimous approval from all directors is required for any resolution to pass at their directors' meetings.

The Group acquired this joint venture from BIPL in December 2018 at a consideration of RMB111,045,000 (equivalent to HK$126,380,000). The consideration had been fully settled during the year.

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18. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(b) Joint ventures' summarised financial information disclosure

BIPL is considered a material joint venture of the Group and was accounted for using the equity method in the consolidated financial statements. The following tables illustrate the summarised financial information of BIPL, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	BIPL	
	2019	2018
	HK$'000	HK$'000
Summarised statement of financial position of the material joint venture		
Current assets	**399,845**	499,701
Non-current assets	**4,020,145**	3,325,971
Current liabilities	**(473,869)**	(329,195)
Non-current liabilities	**(1,967,193)**	(1,851,835)
Net assets	**1,978,928**	1,644,642
Reconciliation to the Group's investment in the material joint venture:		
Proportion of the Group's ownership	**76%**	76%
Group's share of net assets of the joint venture, excluding goodwill	**1,503,984**	1,249,928
Goodwill on acquisition	**8,595**	8,595
Carrying amount of the investment	**1,512,579**	1,258,523

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18. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(b) Joint ventures' summarised financial information disclosure (continued)

	BIPL	
	2019	2018
	HK$'000	HK$'000
Summarised statement of profit or loss and other comprehensive income of the material joint venture		
Revenue	**136,273**	31,766
Profit for the year	**110,193**	222,445
Other comprehensive income/(loss) for the year	**79,772**	(94,475)
Total comprehensive income for the year	**189,965**	127,970
Share of the joint venture's profit for the year	**83,747**	169,058

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

	2019	2018
	HK$'000	HK$'000
Share of the joint ventures' loss for the year	**(1,181)**	(1,749)
Share of the joint ventures' other comprehensive income for the year	**232**	17,732
Aggregate carrying amount of the Group's investments in the joint ventures	**208,123**	132,070

(c) The Group's amount due from a joint venture as at 31 December 2019 included entrusted bank loans with an aggregate amount of RMB167,330,000 (equivalent to HK$187,175,000) (2018: RMB431,375,000 (equivalent to HK$490,948,000)), of which RMB25,000,000 (equivalent to HK$27,965,000) is included in assets of disposal groups classified as held for sale (note 15) provided by the Group to finance the business development of BIPL. The entrusted bank loans included in current assets bear interest at rates ranging from 4.35% to 4.75% (2018: 4.75%) per annum and are fully repayable within one year from the end of the reporting period. The entrusted bank loans included in non-current assets bear interest at the rate of 4.35% (2018: 4.35% to 4.75%) per annum and repayable at the discretion of the joint venture. The remaining balance of HK$77,481,000 (2018: HK$22,882,000), of which HK$814,000 is included in assets of disposal group classified as held for sale, and HK$ Nil (2018: HK$40,760,000) included in current portion and non-current portion of amounts due from joint ventures, respectively, are unsecured, interest-free and repayable within one year.

(d) The amounts due to joint ventures are unsecured, interest-free and repayable on demand, except for an amount of RMB176,809,000 (equivalent to HK$197,779,000) is unsecured, interest-free and repayable after one year from the end of the reporting period.

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19. INTERESTS IN ASSOCIATES

	Notes	2019 HK$'000	2018 HK$'000
Investments in associates, included in non-current assets			
Share of net assets		**653,648**	768,882
Goodwill on acquisition		**113,442**	113,442
Total investments in associates		**767,090**	882,324
Provision for impairment	(c)	**(82,427)**	(4,534)
	(b)	**684,663**	877,790
Due from associates, included in current assets	(d)	**87**	29,126
Total interests in associates		**684,750**	906,916

Notes:

(a) Particulars of the Group's principal associates, which are all indirectly held by the Company, are as follows:

Company name	Place of registration and business	Registered capital	Percentage of ownership interest attributable to the Group	Principal activities
Beijing Enterprises Medical and Health Industry Group Limited ("BE M&H")	Cayman Islands/ Mainland China	HK$1,215,789,000	15.55%*	Properties development and provision of medical care services
北控城投控股集團有限公司	PRC/Mainland China	RMB700,000,000	35%	Primary land development

* In the opinion of the directors, notwithstanding that the Group has only 15.55% equity interest in BE M&H, the Group has been able to exercise significant influence over BE M&H because the Group has appointed three representatives as directors of BE M&H since 22 May 2017, at which time, the investment in BE M&H, which was previously accounted for as an equity investment at fair value through other comprehensive income, was reclassified as an investment in an associate.

Shares of BE M&H are listed on the Main Board of the Stock Exchange. The market value of the shares of BE M&H held by the Group as at 31 December 2019, based on its then quoted market price, amounted to approximately HK$141,750,000 (2018: HK$218,295,000).

NOTES TO FINANCIAL STATEMENTS

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19. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(a) (Continued)

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

(b) Associates' summarised financial information disclosure

BE M&H is considered a material associate of the Group and is accounted for using the equity method in the consolidated financial statements.

The following tables illustrate the summarised financial information of BE M&H, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	BE M&H	
	2019	2018
	HK$'000	HK$'000
Summarised statement of financial position of the material associate		
Current assets	**1,216,950**	1,338,296
Non-current assets	**2,095,305**	2,696,743
Current liabilities	**(393,924)**	(351,939)
Non-current liabilities	**(95,528)**	(269,036)
Non-controlling interests	**(222,034)**	(318,490)
Net assets	**2,600,769**	3,095,574
Reconciliation to the Group's investment in the material associate:		
Proportion of the Group's ownership	**15.55%**	15.59%
Group's share of net assets of the associate, excluding goodwill	**404,420**	482,600
Goodwill on acquisition (less cumulative impairment)	**35,549**	113,442
Carrying amount of the investment	**439,969**	596,042

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19. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) Associates' summarised financial information disclosure (Continued)

	BE M&H	
	2019	2018
	HK$'000	HK$'000
Revenue	**200,755**	178,885
Profit/(loss) for the year	**(476,082)**	30,872
Other comprehensive loss for the year	**(75,995)**	(115,419)
Total comprehensive loss for the year	**(552,077)**	(84,547)
Share of associate's profit/(loss) for the year	**(68,340)**	7,498

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

	2019	2018
	HK$'000	HK$'000
Share of the associates' loss for the year	**(31,553)**	(1,390)
Share of the associates' other comprehensive loss for the year	**(724)**	(1,567)
Aggregate carrying amount of the Group's investments in the associates	**244,694**	281,748

(c) The movement in provision for impairment of an investment in an associate is as follows:

	2019	2018
	HK$'000	HK$'000
At 1 January	**4,534**	4,534
Impairment loss recognised (note 8)	**77,893**	–
At 31 December	**82,427**	4,534

As at 31 December 2019, the market value of an associate was lower than its carrying amount. The Group performed an impairment assessment of the investment in an associate.

The recoverable amount is determined based on value-in-use by the discounted cash flow model of the associate's core businesses, and the fair value of the associate's non-core businesses assets, including lands, properties and listed equity investments etc. Based on the assessment result, impairment loss of HK$78 million had been recognised by the Group during the year (2018: Nil).

(d) The amounts due from associates are unsecured, interest-free and repayable on demand.

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20. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	HK$'000	HK$'000
Listed equity investment, at fair value: CAQ Holdings Limited	**5,347**	22,787

Notes:

(a) The above equity investment was irrevocably designated as at fair value through other comprehensive income as the Group considered the investment to be strategic in nature and not held for trading.

(b) The fair value of the listed equity investment is determined by reference to its published quotations. The market value of the listed equity investment as at the date of approval of these financial statements was approximately HK$5,347,000 (2018: HK$22,787,000).

21. LAND HELD FOR DEVELOPMENT OR SALE

Land held for development or sale represented the acquisition cost, property transfer tax and development cost in relation to the Group's land development projects in Cambodia and the PRC. Land held by the Group mainly includes freehold land located in Cambodia with a total area of 14.67 square kilometres (2018: 14.67 square kilometres) which represented around 90% of total carrying amount of land held for development or sale as at 31 December 2019. They were classified as non-current assets as at 31 December 2019 as they are expected to be completed outside normal operating cycle and recoverable after one year from the end of the reporting period.

22. PROPERTIES HELD FOR SALE

Properties held for sale of the Group as at 31 December 2019 and 2018 represented certain portion of the Group's shopping mall in Guangzhou, the PRC, which are held by the Group for ultimate transfer to certain indigenous properties owners (note 32) as compensation. At 31 December 2019, part of the properties of HK$43,234,000 (2018: HK$91,995,000) were pledged to secure certain bank loans granted to the Group (note 30(a)).

23. INVENTORIES

Inventories of the Group as at 31 December 2019 are mainly frozen products held by the Group in respect of its trading business which commenced during the year.

24. TRADE RECEIVABLES

Trade receivables of the Group included rental income receivable from tenants of the Group's investment properties, service fees receivable from customers of the Group's logistic centres, room charges and service fees arising from the Group's hotel operation and receivable from customers of trading business. The various group companies have different credit policies, depending on the requirements of their markets and the businesses which they operate. Ageing analysis of trade receivables is prepared and closely monitored in order to minimise any credit risk associated with the receivables. The Group does not hold any collateral or other credit enhancement over its trade receivables, except for trade receivables in relation to rental income were fully collaterised by the security deposits paid by the relevant customers.

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24. TRADE RECEIVABLES (Continued)

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

	2019 HK$'000	2018 HK$'000
Within one month	**9,467**	7,934
One to three months	**5,636**	2,480
Over three months	**255**	219
	15,358	10,633

The Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward looking information. The expected credit loss allowance for trade receivables as at 31 December 2019 is considered as insignificant.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2019 HK$'000	2018 HK$'000
Prepayments for construction projects		**–**	20,463
Other prepayments		**15,237**	20,232
Prepaid land lease payments – current portion	16(a)	**–**	3,050
Deposits and other receivables	(a)	**25,202**	22,296
Due from former equity holders of subsidiaries		**–**	116
Value-added tax recoverable		**128,612**	64,651
		169,051	130,808
Portion classified as current assets		**(159,850)**	(101,127)
Non-current portion		**9,201**	29,681

Note:

(a) Deposits and other receivables mainly represent utility deposits and construction deposits. An impairment analysis is performed at each reporting date by considering the expected credit losses which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

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26. BALANCES WITH OTHER RELATED PARTIES

	2019 HK$'000	2018 HK$'000
Due to other related parties:		
The immediate holding company	**697**	747
Non-controlling equity holders of subsidiaries	**189,115**	619,101
	189,812	619,848
Portion classified as current liabilities	**(13,901)**	(167,900)
Non-current portion	**175,911**	451,948

Notes:

The amounts due to other related parties included in current liabilities are unsecured, interest-free and repayable on demand.

The amounts due to other related parties included in non-current liabilities are unsecured, interest-free and repayable after one year from the end of the reporting period, except for loans of HK$4,810,000 (2018: HK$4,097,000) from non-controlling equity holders of subsidiaries are unsecured, bear interest at the rate of 4.85% (2018: 4.35% to 4.75%) per annum and repayable after one year from the end of the reporting period.

27. PLEDGED AND RESTRICTED BANK DEPOSITS, AND CASH AND CASH EQUIVALENTS

	Notes	2019 HK$'000	2018 HK$'000
Deposits placed with a fellow subsidiary	43(a)(ii)	**412,883**	236,970
Time deposits		**222,504**	588,372
Other cash and bank balances		**372,659**	995,018
Total cash and bank balances	(a)	**1,008,046**	1,820,360
Less: Pledged bank balances, included in non-current assets	(b)	**(6,266)**	(10,109)
Pledged bank balances, included in current assets	(b)	**(28,084)**	(30,244)
Restricted bank deposits for capital contribution to an associate, included in non-current assets	(c)	**–**	(52,650)
Restricted bank deposits for disposal of subsidiaries, included in current assets	29(c)	**–**	(625,955)
Cash and cash equivalents		**973,696**	1,101,402

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27. PLEDGED AND RESTRICTED BANK DEPOSITS, AND CASH AND CASH EQUIVALENTS (Continued)

Notes:

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

At 31 December 2019, the cash and bank balances of the Group denominated in RMB amounted to HK$740,686,000 (2018: HK$1,448,303,000), of which HK$133,345,000 is included in assets of disposal groups classified as held for sale (note 15). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) At 31 December 2019, the usage of the Group's bank balances amounting to HK$46,354,000 (2018: HK$40,353,000), of which HK$12,004,000 is included in assets of disposal groups classified as held for sale (note 15), were restricted as to their use in accordance with the bank loan agreements of certain bank loans granted to the Group (note 30(a)).

(c) The usage of the Group's bank balance as at 31 December 2018 amounting to HK$52,650,000 was restricted as to their use in accordance with a subscription agreement entered into with certain third parties for the Group's capital injection into an associate. The bank balance was held by an escrow agent and the Group has control over the bank balance. The escrowed proceeds were returned to the Group after the long stop date of the project. Further details of the subscription agreement are set out in the Company's announcements dated 27 January 2017, 7 July 2017, 22 December 2017, 19 October 2018 and 31 March 2019.

28. TRADE PAYABLES

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

	2019 **HK$'000**	2018 HK$'000
Within one month	**2,508**	5,445
One to three months	**59**	3,609
Over three months	**245**	499
	2,812	9,553

The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

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29. OTHER PAYABLES AND ACCRUALS

	Notes	2019 HK$'000	2018 HK$'000
Interest payable of guaranteed bonds		**98,139**	98,548
Accruals		**39,679**	40,329
Receipts in advance and rental deposits received from tenants		**68,220**	70,571
Contract liabilities	(a)	**91,303**	–
Other payables	(d)	**166,345**	168,172
Construction cost payables		**298,203**	97,876
Consideration payables for acquisition of equity interest of a subsidiary from a non-controlling shareholder	(b)	**1,318,037**	–
Due to other shareholders of an associate		**14,692**	–
Deposit received for disposal of subsidiaries	(c)	**–**	625,955
Deferred revenue – current portion	34	**3,233**	4,801
Defined benefit obligations – current portion	35(b)	**369**	376
		2,098,220	1,106,628

Notes:

(a) Contract liabilities represented customers' deposits received for the sales of frozen products.

(b) On 12 July 2019, the Group received notice from the non-controlling shareholder of China Logistics for the exercise of put option. In pursuit of that, the Group is required to purchase and the non-controlling shareholder of China Logistics is bounded to sell all its shares in China Logistics with a consideration of RMB1,178,291,000 (equivalent to HK$1,318,037,000). Further details are set out in the Company's announcement dated 12 July 2019.

In the opinion of directors, China Logistics became a wholly-owned subsidiary of the Group from 12 July 2019 as the Group has present access to returns associated with the ownership interest in China Logistics held by the non-controlling shareholder since then. Subsequent to the reporting period, the consideration has been settled on 28 February 2020.

(c) On 3 August 2018, China Logistics, a then 65% owned subsidiary of the Company, and an independent third party (the "Potential Buyer", together with China Logistics, the "Parties") then entered into a framework agreement (the "Framework Agreement"). Pursuant to the Framework Agreement, the Parties intended to jointly establish an entity outside the PRC to act as a general partner, which would, together with each of the Parties (and/or its affiliate) as limited partners, jointly establish a privately offered fund structure as a limited partnership outside the PRC (the "Fund"). It was intended that the Fund or its subsidiary shall act as the purchaser in the acquisition of equity interests in a number of subsidiaries directly or indirectly owned by China Logistics and the Company which owned certain plots of land in the PRC (the "Proposed Disposal", together with the buildings and structures thereon, the "Properties"). The consideration for the Proposed Disposal was approximately RMB6.70 billion (equivalent to approximately HK$7.70 billion) which was determined based on the value of the Properties as set out in the Framework Agreement. The Framework Agreement was not legally binding. At 31 December 2018, a deposit of RMB550 million (equivalent to approximately HK$625,955,000) was received from the Potential Buyer and deposited into a bank account jointly operated by China Logistics and the Potential Buyer (note 27).

During the year, the Framework agreement had been terminated and the deposit has been refunded by the Group.

(d) Other payables are non-interest-bearing and have an average term of three months.

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30. BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans:		
Secured (note (a))	**1,233,345**	1,776,225
Unsecured	**2,184,273**	1,733,773
	3,417,618	3,509,998
Other loans:		
Unsecured (note (c))	**242,289**	–
Total bank and other loans	**3,659,907**	3,509,998
Portion classified as current liabilities	**(2,255,581)**	(1,115,297)
Non-current portion	**1,404,326**	2,394,701
Analysis into:		
Bank loans repayable:		
Within one year or on demand	**2,235,446**	1,115,297
In the second year	**111,340**	110,337
In the third year to fifth years, inclusive	**891,856**	2,284,364
After five years	**178,976**	–
	3,417,618	3,509,998
Analysis into:		
Other borrowings repayable:		
Within one year or on demand	**20,135**	–
In the second year	**26,846**	–
In the third year to fifth years, inclusive	**96,088**	–
After five years	**99,220**	–
	242,289	–
	3,659,907	3,509,998

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30. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) The secured bank loans of the Group are secured by the following assets:

	Notes	Carrying amount 2019 HK$'000	2018 HK$'000
Buildings and warehouses	13	**13,151**	297,848
Investment properties	14(a)	**6,198,446**	6,183,525
Prepaid land lease payments	16(b)	**–**	32,265
Properties held for sale	22	**43,234**	91,995
Bank balances	27(b)	**46,354**	40,353
Net asset value of subsidiaries	1	**3,025,294**	3,117,486

In addition, the Group's bank loans are guaranteed by the Company and directors of certain subsidiaries.

(b) The bank borrowings were denominated in the following currencies:

	Carrying amount 2019 HK$'000	2018 HK$'000
HK$	**712,105**	261,585
RMB	**997,119**	1,279,008
US$	**1,707,375**	1,969,405
JPY	**1,019**	–
	3,417,618	3,509,998

All of the bank loans as at 31 December 2019 are floating rate loans with interests at specified periods' LIBOR or HIBOR or the benchmark lending rate of the People's Bank of China plus a margin.

All of the bank loans as at 31 December 2018 were floating rate loans with interests at specified periods' LIBOR or HIBOR or the benchmark lending rate of the People's Bank of China plus a margin, except for a bank loan of HK$125,191,000 which bore interest at a fixed rate of 6.80% per annum.

(c) Other borrowings represent loans from Beijing Enterprises Group Finance Co., Ltd. ("BG Finance"), which is a fellow subsidiary and an authorised financial institution under China Banking Regulatory Commission. The balances are denominated in RMB, which are unsecured and bore interests according to the benchmark lending rate of the People's Bank of China plus a margin.

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31. GUARANTEED BONDS

	2019 HK$'000	2018 HK$'000
4.375% guaranteed bonds due 2020	**2,335,608**	2,318,476
9% guaranteed bonds due 2020 (note (c))	**1,940,580**	1,927,560
	4,276,188	4,246,036
Portion classified as current liabilities	**(4,276,188)**	–
Non-current portion	**–**	4,246,036

Notes:

(a) The Group's guaranteed bonds as at 31 December 2019 and 2018 are all denominated in US$ and guaranteed by the Company, and interest thereon are payable semi-annually in arrear.

(b) The guaranteed bonds are subject to redemption by the Group, in whole but not in part, at a redemption amount equal to the Make-Whole Price (as defined in the terms and conditions of the respective bonds). They also contain a provision for redemption at the option of the holders of the respective bonds at 101% of the principal amount, together with interest accrued to the date of redemption, upon a change of control (as defined in terms and conditions of the respective bonds) with respect to the Company. Within the best knowledge of the directors, the above event did not take place during the year and as at the date of approval of these financial statements. Further details of the bonds outstanding as at 31 December 2019 are set out in the Company's announcements dated 2 March 2017 and 10 August 2018.

(c) The Group may, at any time on or after the First Anniversary Call Date (as defined in the terms and conditions of the respective bonds) upon giving not less than 30 nor more than 60 days' notice to the holders of the bonds and to the trustee in writing (which notice shall be irrevocable), redeem the bonds, in whole but not in part, at 101% of their principal amount, together with accrued interest up to, but excluding, the date fixed for redemption.

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32. PROVISION FOR COMPENSATION

	2019 HK$'000	2018 HK$'000
At 1 January	**225,586**	243,733
Additional/(reversal) of provision (note 8)	**5,348**	(1,009)
Settlement during the year	**(5,188)**	(4,671)
Exchange realignment	**(3,868)**	(12,467)
At 31 December	**221,878**	225,586

The provision for compensation was a provision for resettlement compensations payable to certain indigenous properties owners and tenants (the "Concerned Residents") affected by the construction works of a residential and commercial complex (the "Metro Mall") undertaken by Guangzhou Guangming, a subsidiary of the Company, in prior years.

During the construction of the Metro Mall by Guangzhou Guangming in the 1990s, properties owned/rented by the Concerned Residents were demolished and it was agreed between the Concerned Residents and Guangzhou Guangming that new residential flats to be built by Guangzhou Guangming will be used as compensation to the Concerned Residents for the demolished properties. However, due to changes in the development plan, no residential flats can be built and Guangzhou Guangming was unable to resettle those Concerned Residents in the agreed manner. In prior years, some of the Concerned Residents had lodged litigations against Guangzhou Guangming for its breach of agreements and requested monetary compensation. Guangzhou Guangming lost some of those lawsuits and was required to pay compensation together with overdue penalties.

In this regard, Guangzhou Guangming has since been in negotiation with certain local government authorities for an arrangement (the "Compensation Arrangement") to construct resettlement buildings for the Concerned Residents. Under the Compensation Arrangement, resettlement buildings will be constructed and allocated to each Concerned Resident based on their respective areas of the demolished properties they previously owned. Guangzhou Guangming shall then be discharged from its legal obligation for the replacement flats to the Concerned Residents. The Compensation Arrangement has not been finalised as at the date of approval of these financial statements and is still subject to further negotiation with the local government authorities.

In arriving at the best estimate of the amount of the provision for the resettlement compensation, management of the Group had made reference to the latest plan of the Compensation Arrangement, judgements of the lawsuits and all other available information. As a result of the new development on the latest plan of the Compensation Arrangement, in the opinion of the directors, the amount of compensation cost that the Group may incur would be HK$221,878,000 (2018: HK$225,586,000) as at 31 December 2019.

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33. DERIVATIVE FINANCIAL INSTRUMENT

Pursuant to a subscription agreement (the "Agreement") entered into between the Group and the non-controlling shareholder of China Logistics, the non-controlling shareholder of China Logistics was granted a put option by the Company over the 35 ordinary shares of China Logistics it held. According to the terms of the put option, the non-controlling shareholder has the right to sell all the 35 ordinary shares of China Logistics it held to the Company at a predetermined price (RMB888,000,000 plus interest at 7% per annum) when certain conditions are met. The put option was classified as a derivative financial instrument with an initial fair value of HK$67,588,000 and the subsequent change in the fair value of the option will be recognised in profit or loss until the option is exercised by the non-controlling shareholder of China Logistics or expires in accordance with the terms of the Agreement.

As at the end of the reporting period, the put option was exercised by the non-controlling shareholder of China Logistics. The fair value gain has been recognised in profit or loss in the current period up to the exercise date of the option. Further details are set out in note 29(b) of the financial statements.

Fair value hierarchy disclosure

Reconciliation of the fair value measurement of the put option categorised within Level 3 of the fair value hierarchy is as follows:

	2019 HK$'000	2018 HK$'000
Carrying amount as at 1 January	**20,937**	50,947
Gain from a fair value adjustment recognised in profit or loss (note 6)	**(4,693)**	(30,010)
Recognised in capital and other reserves at exercise of option	**(16,244)**	–
Carrying amount as at 31 December	**–**	20,937

Below is a summary of the valuation technique used and the key inputs to the valuation:

		Input/range of input	
Valuation technique	**Significant unobservable inputs**	**2019**	2018
Binomial Tree Pricing Method	(i) Volatility	**N/A**	44.99%
	(ii) Risk-free rate	**N/A**	2.73%
	(iii) Price to book value ratio	**N/A**	1.12

The binomial tree pricing model uses an iterative procedure, allowing for the specification of nodes, or points in time, during the time span between the valuation date and the instrument's expiration date. The model reduces possibilities of price changes, removes the possibility for arbitrage, assumes a perfectly efficient market, and shortens the duration of the instrument. Under these simplifications, it is able to provide a mathematical valuation of the instrument at each point in time specified. The binomial model takes a risk-neutral approach to valuation. It assumes that underlying security prices can only either increase or decrease with time until the instrument expires.

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33. DERIVATIVE FINANCIAL INSTRUMENT (Continued)

An increase (decrease) in the volatility in isolation would result in an increase (decrease) in the fair value of the put option. An increase (decrease) in the risk-free rate or the price to book value ratio in isolation would result in a decrease (increase) in the fair value of the put option.

34. DEFERRED REVENUE

	2019 **HK$'000**	2018 HK$'000
Deferred income expected to be recognised in profit or loss:		
Within one year, included in current liabilities under other payables and accruals (note 29)	**3,233**	4,801
After one year, included in non-current liabilities	**114,124**	210,481
	117,357	215,282

Deferred revenue of the Group mainly represented government subsidies received in respect of the Group's investments in certain subsidiaries, construction of warehouses and purchase of land use rights and property, plant and equipment in the PRC. These subsidies are recognised in profit or loss on the straight-line basis over the expected useful lives of the underlying assets.

35. DEFINED BENEFIT OBLIGATIONS

Certain employees of BJ Holiday Inn, an indirectly-held wholly-owned subsidiary of the Company, can enjoy retirement benefits after retirement pursuant to certain of its defined benefit plans. The plans are exposed to interest rate risk and the risk of changes in the life expectancy of the employees.

(a) Net benefit expense (recognised in administrative expenses)

	Supplemental post-retirement benefits	
	2019 **HK$'000**	2018 HK$'000
Current service cost	**374**	391
Interest cost	**681**	712
Net benefit expenses	**1,055**	1,103

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35. DEFINED BENEFIT OBLIGATIONS (Continued)

(b) Present value of the defined benefit obligations

	Supplemental post-retirement benefits	
	2019	2018
	HK$'000	HK$'000
At 1 January	**19,803**	17,325
Net benefit expenses recognised in profit or loss (note (a))	**1,055**	1,103
Benefit paid	**(578)**	(557)
Actuarial losses on obligations recognised in other comprehensive income/(loss)	**1,089**	3,153
Exchange realignment	**(1,122)**	(1,221)
At 31 December	**20,247**	19,803
Portion classified as current liabilities, included in other payables and accruals (note 29)	**(369)**	(376)
Non-current portion	**19,878**	19,427

(c) Principal assumptions

The most recent actuarial valuation of the present value of the defined benefit obligations was carried out at 31 December 2019 by Towers Watson & Co., an independent professionally actuarial consulting firm, using the projected unit credit actuarial cost method. The material actuarial assumption used in determining the defined benefit obligations for the Group's plans is as follows:

	2019	2018
Discount rate	**3.50%**	3.50%

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35. DEFINED BENEFIT OBLIGATIONS (Continued)

(c) Principal assumptions (continued)

A quantitative sensitivity analysis for the discount rate as at 31 December 2019 and 2018 is shown below:

	Increase in discount rate	Decrease in net defined benefit obligations	Decrease in discount rate	Increase in net defined benefit obligations
	%	HK$'000	%	HK$'000
2019	**0.25**	**(694)**	**(0.25)**	**738**
2018	0.25	(694)	(0.25)	740

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in the key assumption occurring at the end of the reporting period.

At 31 December 2019, the expected cash contribution to be made within the next 12 months out of the defined benefit obligations was HK$369,000 (2018: HK$376,000).

36. DEFERRED TAX

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

	2019	2018
	HK$'000	HK$'000
Deferred tax assets	**33,257**	28,325
Deferred tax liabilities	**(1,397,498)**	(1,589,657)
Deferred tax liabilities included in liabilities directly associated with the assets of disposal groups classified as held for sale (note 15)	**(291,505)**	–
	(1,655,746)	(1,561,332)

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36. DEFERRED TAX (Continued)

	Attributable to						
	Government grants	Adjustments arising from acquisition of Subsidiaries	Revaluation of investment properties	Available for Offsetting against future taxable profits	Withholding tax on dividend	Capital gain	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	21,164	(963,188)	(506,593)	2,853	–	–	(1,445,764)
Net deferred tax credited/(charged) to profit or loss during the year	28,550	6,821	(209,569)	(2,756)	–	–	(176,954)
Exchange realignment	(1,733)	17,459	45,757	(97)	–	–	61,386
At 31 December 2018 and 1 January 2019	**47,981**	**(938,908)**	**(670,405)**	**–**	**–**	**–**	**(1,561,332)**
Net deferred tax credited/(charged) to profit or loss during the year	**(530)**	**4,259**	**(77,868)**	**–**	**(2,382)**	**(35,685)**	**(112,206)**
Exchange realignment	**(645)**	**5,358**	**13,046**	**–**	**33**	**–**	**17,792**
At 31 December 2019	**46,806**	**(929,291)**	**(735,227)**	**–**	**(2,349)**	**(35,685)**	**(1,655,746)**

Notes:

(a) At 31 December 2019, deferred tax assets have not been recognised in respect of unused tax losses of HK$380,889,000 (2018: HK$342,312,000) that will expire in one to five years as they have arisen in subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised.

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

At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes (2018: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately HK$23,346,000 (2018: HK$28,150,000) in aggregate as at 31 December 2019.

(c) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders (2018: Nil).

(d) The deferred capital gain tax is arising from the Potential Disposal of subsidiaries. Further details are set out in note 15 to the financial statements.

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37. SHARE CAPITAL

Shares

	2019 **HK$'000**	2018 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
6,969,331,680 (2018: 6,969,331,680) ordinary shares of HK$0.10 each	**696,933**	696,933

A summary of movements of the Company's issued capital and share premium account during the years ended 31 December 2019 and 2018 is as follows:

	Number of ordinary shares in issue	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2018	6,852,600,585	685,260	1,730,046	2,415,306
Issue of shares as consideration for the acquisition of subsidiaries (note)	116,731,095	11,673	32,101	43,774
At 31 December 2018, 1 January 2019 and 31 December 2019	6,969,331,680	696,933	1,762,147	2,459,080

Note:

On 31 May 2017, the Group completed the acquisition of 100% equity interest in North Supply, which is engaged in the operation of food storage warehouses in Tongliao City, Inner Mongolia, the PRC.

Non-cash consideration for the acquisition of North Supply includes the issue of 127,937,663 ordinary shares of the Company which had a total fair value of HK$47,977,000, based on the quoted market price of the Company's share of HK$0.375 on the date of acquisition. At 31 December 2017, all the consideration shares have not been issued in accordance with the terms of the agreement and the corresponding consideration payable of HK$47,977,000 was recognised in capital and other reserves of the Group as at 31 December 2017.

In 2018, pursuant to an agreement entered into between, amongst others, the Group, the vendor and the controlling shareholder of the vendor, the parties agreed that a portion of the consideration for the acquisition was settled by way of offsetting against certain current account balances with the controlling shareholder of the vendor of HK$6,545,000 in total instead of issuing consideration shares, and hence, the number of consideration shares for the acquisition was reduced to 116,731,095 ordinary shares of the Company during the year ended 31 December 2018. In this regard, the difference of HK$2,342,000 between the carrying amount of the consideration payable attributable to the reduction in the number of consideration shares and the net current account balance due from the controlling shareholder of the vendor was treated as an adjustment to the consideration paid and payable for the acquisition and was recognised in profit or loss during the year ended 31 December 2018.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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38. SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a share option scheme (the "Scheme") and, unless otherwise cancelled or amended, the Scheme will remain in force for ten years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the board of directors at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The following share options were outstanding under the Scheme during the year:

	2019		2018	
	Weighted average exercise price (HK$ per share)	**Number of options '000**	Weighted average exercise price (HK$ per share)	Number of options '000
At 1 January	**0.599**	**906,113**	0.599	906,113
Cancelled during the year	**0.477**	**(147,150)**	–	–
At 31 December	**0.622**	**758,963**	0.599	906,113

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38. SHARE OPTION SCHEME (Continued)

Notes:

(a) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of options outstanding			
2019	2018	**Exercise price***	
'000	'000	**(HK$ per share)**	**Exercise period****
105,000	172,000	0.465	28-10-2011 to 27-10-2021
213,813	277,413	0.410	1-6-2012 to 31-5-2022
146,700	152,000	0.574	24-5-2013 to 23-5-2023
177,450	185,700	0.940	31-3-2014 to 30-3-2024
37,000	38,000	0.750	28-8-2014 to 27-8-2024
79,000	81,000	0.720	8-4-2015 to 7-4-2025
758,963	906,113		

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

** The share options have no vesting period.

(b) At 31 December 2019, the Company had 758,963,000 (2018: 906,113,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 758,963,000 (2018: 906,113,000) additional ordinary shares of the Company and additional share capital of HK$75,896,000 (2018: HK$90,611,000) and share premium of HK$396,213,000 (2018: HK$451,734,000) (before issue expenses and without taking into account any transfer of share option reserve to the share premium account).

(c) During the year, 147,150,000 share options (2018: Nil) were cancelled. Accordingly, the portion of share option reserve of HK$16,602,000 was transferred to retained profits during the year.

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39. RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) The share option reserve of the Group comprises the fair value of share options granted which are yet to exercise, as further explained in the accounting policy for the "Share-based payments" in note 2.5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(c) The PRC statutory reserves are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries, joint ventures and associates established in Mainland China. None of the Group's PRC statutory reserves as at 31 December 2019 were distributable in the form of cash dividends.

(d) On 15 December 2017, the Group entered into a subscription agreement with two independent third parties, pursuant to which (i) each of the two investors will subscribe for new shares of a then wholly-owned subsidiary of the Group (the "Subsidiary") for a 6.88% shareholding in the Subsidiary at a cash consideration of RMB50 million; and (ii) upon the completion of the aforesaid share subscription, the Group will grant to each of the two investors the right (the "Option") to purchase from the Group an additional 6.88% shareholding in the Subsidiary during the six month period after 15 December 2017 at the exercise price stipulated in the subscription agreement. The purpose of this transaction is to raise fund for the Subsidiary to invest in a potential project in Changzhou, the PRC, to expand the Group's business network in the PRC. The share subscriptions were completed on 8 February 2018 and the subscription monies of RMB100 million received in 2017 were accounted for as investment deposits received and carried as non-current liabilities in the consolidated statement of financial position as at 31 December 2017.

As a result of the completion of the share subscriptions on 8 February 2018, the Group's equity interest in the Subsidiary was diluted from 100% to 86.24% without a loss of control and the resulting loss on the deemed disposal of HK$693,000 was recognised directly in equity. In addition, the Group's equity interest in the Subsidiary was further reduced to 72.48% without a loss of control after the two investors exercised the Options to purchase from the Group a total of 13.76% shareholding in the Subsidiary at a total cash consideration of RMB102 million during the year ended 31 December 2018, which resulted in the recognition of a total loss on partial disposals of interest in a subsidiary of HK$22,000 directly in equity.

The value of the Options is considered insignificant to these financial statements.

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40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Zhong Jian Jin Bian and China Logistics were considered subsidiaries that have material non-controlling interests during the years ended 31 December 2019 and 2018, and details of which are set out below:

	Zhong Jian Jin Bian		China Logistics	
	2019	2018	**2019 (Note)**	2018
Percentage of equity interest held by non-controlling equity holders of subsidiaries	**40%**	40%	**N/A**	35%

	Zhong Jian Jin Bian		China Logistics	
	2019	2018	**2019 (Note)**	2018
Consolidated profit/(loss) for the year allocated to non-controlling interests	**(422)**	5,269	**39,090**	87,678
Dividends paid	**–**	–	**–**	–
Accumulated balances of non-controlling interests at the reporting date	**1,434,650**	987,221	**N/A**	1,155,790

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40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised consolidated financial information of Zhong Jian Jin Bian and China Logistics:

	Zhong Jian Jin Bian		China Logistics	
	2019	2018	**2019 (Note)**	2018
Revenue	**–**	78,000	**N/A**	121,823
Total expenses	**(1,054)**	(64,828)	**N/A**	(99,855)
Profit/(loss) for the year	**(1,054)**	13,172	**N/A**	245,785
Total comprehensive income/(loss) for the year	**(1,054)**	13,172	**N/A**	55,803
Current assets	**69,328**	67,629	**N/A**	1,055,160
Non-current assets	**4,120,309**	4,120,007	**N/A**	3,896,970
Current liabilities	**(680,518)**	(677,462)	**N/A**	(1,299,700)
Non-current liabilities	**(1,042,121)**	(1,042,121)	**N/A**	(288,388)
Net cash flows from operating activities	**5**	2,353	**N/A**	55,595
Net cash flows from investing activities	**–**	–	**N/A**	168,036
Net cash flows used in financing activities	**–**	–	**N/A**	(65,064)
Net increase in cash and cash equivalents	**5**	2,353	**N/A**	158,567

The amounts disclosed above are before any inter-company eliminations.

Note:

As further detailed in note 29(b) to the financial statements, China Logistics became a wholly-owned subsidiary upon the acquisition of the 35% equity interest from the then non-controlling shareholder in July 2019. As such, no financial information of China Logistics for the year ended 31 December 2019 would be presented except for the consolidated profit/(loss) for the year allocated to non-controlling interests and dividend paid prior to the acquisition.

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41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group had no major non-cash transactions of investing and financing activities during the years ended 31 December 2019 and 2018, except for the capital contribution from a non-controllling equity holder of a subsidiary of HK$447,851,000 recognised during the year ended 31 December 2019.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings HK$'000	Guaranteed bonds HK$'000	Due to other related parties HK$'000	Due to joint ventures HK$'000
At 1 January 2018	3,057,406	4,650,386	611,837	–
Changes from financing cash flows	543,471	(451,338)	593	–
Changes from operating cash flows	–	–	7,418	859
Acquisition of a joint venture from a joint venture	–	–	–	126,380
Interest expense	–	46,988	–	–
Exchange realignment	(90,879)	–	–	–
At 31 December 2018 and 1 January 2019	**3,509,998**	**4,246,036**	**619,848**	**127,239**
Changes from financing cash flows	**768,870**	**–**	**15,216**	**200,537**
Changes from operating cash flows	**–**	**–**	**2,599**	**2,563**
Changes from investing cash flows	**–**	**–**	**–**	**(125,947)**
Interest expense	**–**	**30,152**	**–**	**–**
Capitalised as contribution from a non-controlling equity holder of a subsidiary	**–**	**–**	**(447,851)**	**–**
Attributable to disposal groups held for sale	**(571,435)**	**–**	**–**	**–**
Exchange realignment	**(47,526)**	**–**	**–**	**(3,214)**
At 31 December 2019	**3,659,907**	**4,276,188**	**189,812**	**201,178**

(c) Total cash outflows for lease

All cash outflows for lease included in the statement of cash flow for the year ended 31 December 2019 are HK$9,068,000 and within operating activities.

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42. COMMITMENTS

(a) At 31 December 2019, the Group had the following capital commitments:

	2019	2018
	HK$'000	HK$'000
Contracted, but not provided for:		
Capital injection into an associate	**117,453**	119,501
Capital contribution to a joint venture	**3,900**	3,900
Construction of logistic facilities and industrial plants	**753,126**	192,363
Purchase of land	**–**	229,164
Total capital commitments	**874,479**	544,928

In addition, the Group's share of joint ventures' own capital commitments, which are contracted but not provided for and not included in the above disclosure, amounted to HK$715,553,000 (2018: HK$700,847,000) as at 31 December 2019.

(b) Operating lease commitments as at 31 December 2018

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

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	5,222
In the second to fifth years, inclusive	3,686
	8,908

(c) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are HK$3,386,000 due within one year and HK$919,000 due in the second year to fifth years, inclusive.

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43. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2019 HK$'000	2018 HK$'000
Interest income from a joint venture	(i)	**6,405**	16,205
Interest income from a fellow subsidiary	(ii)	**1,403**	1,353
Interest expense to a fellow subsidiary	(iii)	**4,109**	–
Rental expense paid to a fellow subsidiary	(iv)	**–**	897
Management fee paid to a non-controlling equity holder of a subsidiary	(v)	**–**	6,036
Acquisition of a joint venture from a joint venture	(vi), 18(a)	**–**	126,380

Notes:

(i) The interest income was charged on bank entrusted loans advanced to the joint venture at mutually-agreed rates.

(ii) Pursuant to a deposit services master agreement (the "Deposit Agreement") entered into between the Company and BG Finance on 29 June 2015, the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time. BG Finance is a non-wholly-owned subsidiary of BE Group and acts as a platform for members of BE Group for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

The term of the Deposit Agreement shall commence on the date of the Deposit Agreement and continue up to and including 31 December 2019. The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the term of the Deposit Agreement will not exceed HK$650,000,000. Subsequent to the reporting period, the Deposit Agreement has been expired and renewed with a proposed new Caps of HK$400,000,000. Further details of the Deposit Agreement are set out in the Company's announcement dated 28 April 2017 and 29 October 2019.

The deposits placed by the Group with BG Finance as at 31 December 2019 amounted to HK$416,165,000 (2018: HK$236,970,000), of which HK$3,282,000 is included in assets of disposal groups classified as held for sale.

(iii) The interest expense was charged on loans from BG Finance at mutually-agreed rates.

(iv) The rental expense related to the lease of an office located in Beijing from a fellow subsidiary. The rental expense was determined by reference to the prevailing market rentals at the time when the rental agreement was entered into.

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43. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

Notes: (Continued)

(v) The management fee was determined by reference to the property management market rate for properties of comparable size, location and facilities at the time when the property management agreements were entered into.

(vi) The consideration of acquisition of a joint venture was determined by mutually-agreed price.

Save as disclosed above and the balances detailed in notes 18, 19, 26 and 30 to the financial statements, the Group had no material transactions and outstanding balances with related parties during the years ended 31 December 2019 and 2018.

(b) Transactions with other state-owned entities in Mainland China

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "Other SOEs"). During the year, the Group had transactions with the Other SOEs including, but not limited to, bank borrowings, deposits and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are individually or collectively significant related party transactions that require separate disclosure in the financial statements.

(c) Compensation of key management personnel of the Group

	2019 **HK$'000**	2018 HK$'000
Short term employee benefits	**19,068**	18,626
Pension scheme contributions	**1,596**	1,541
Total compensation paid to key management personnel	**20,664**	20,167

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

44. FINANCIAL INSTRUMENTS BY CATEGORY

Except for an equity investment and a put option being classified as a financial asset at fair value through other comprehensive income and a financial liability at fair value through profit or loss, respectively, as further detailed in notes 20 and 33 to the financial statements, all financial assets and financial liabilities of the Group as at 31 December 2019 and 2018 were financial assets and financial liabilities at amortised cost, respectively.

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45. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group's financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the financial controller analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the senior management.

The following table sets out a comparison, by carrying amount and fair value, of the Group's financial instruments that are carried in the financial statements at other than fair value:

	Carrying amount		Fair value	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current financial assets:				
Deposits and other receivables	**9,201**	–	**9,201**	–
Non-current financial liabilities:				
Due to a joint venture	**197,779**	–	**184,480**	–
Due to other related parties	**175,911**	451,948	**164,482**	421,216
Bank and other borrowings	**1,404,326**	2,394,701	**1,308,612**	2,331,533
Guaranteed bonds	**–**	4,246,036	**–**	4,209,556
	1,778,016	7,092,685	**1,657,574**	6,962,305

Note: The fair values of the financial assets and financial liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

NOTES TO FINANCIAL STATEMENTS

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, guaranteed bonds and cash and bank balances. The main purpose of these financial instruments is to finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables, deposits received and other payables.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's exposure to market risk arising from changes in interest rates in respect of cash and bank balances is considered relatively minimal.

At 31 December 2019, the Group's interest-bearing borrowings amounting to HK$3,659,907,000 (2018: HK$3,384,807,000) bore interest at floating rates.

At 31 December 2019, it was estimated that a general decrease (increase) of 100 basis points in interest rate of average balances of bank loans and bank balances during the year, with all other variables held constant, would increase (decrease) the Group's profit before tax by approximately HK$51,104,000 (2018: HK$45,116,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's businesses are mainly carried out by subsidiaries located in Mainland China and the majority of their transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Owing to the fact that the presentation currency of these financial statements is Hong Kong dollar but the functional currency of the PRC subsidiaries, joint ventures and associates is RMB, the net assets of the Group's investments in these entities are exposed to foreign currency translation risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group only leases its completed investment properties to recognised and creditworthy third parties. It is the Group's policy that security deposits equivalent to three month rentals are received in advance from the tenant upon each rental agreement is signed.

Since the Group only leases its completed investment properties to recognised and creditworthy third parties, and the trade receivables are fully collateralised by the security deposits paid by the relevant tenant, there is no requirement for further collateral. Over 90% of the Group's customers and operations are located in Mainland China. Concentrations of credit risk are managed by diversity in customer base and geographical locations of warehouse portfolio.

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts of financial assets.

As at 31 December 2019

	Maximum exposure to credit risk				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	–	–	–	15,358	15,358
Financial assets included in prepayments, deposits and other receivables	25,202	–	–	–	25,202
Due from joint ventures	235,877	–	–	–	235,877
Due from associates	87	–	–	–	87
Pledged and restricted bank deposits, not yet past due	34,350	–	–	–	34,350
Cash and cash equivalents, not yet past due	973,696	–	–	–	973,696
	1,269,212	–	–	15,358	1,284,570

NOTES TO FINANCIAL STATEMENTS

31 December 2019

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

As at 31 December 2018

	Maximum exposure to credit risk				
	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Trade receivables	–	–	–	10,633	10,633
Financial assets included in prepayments, deposits and other receivables	22,412	–	–	–	22,412
Due from a joint venture	559,142	–	–	–	559,142
Due from associates	29,126	–	–	–	29,126
Pledged and restricted bank deposits, not yet past due	718,958	–	–	–	718,958
Cash and cash equivalents, not yet past due	1,101,402	–	–	–	1,101,402
	2,431,040	–	–	10,633	2,441,673

For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 24 to the financial statements.

The credit quality of the financial assets included in prepayments, deposits and other receivables are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

The credit risk of the Group's other financial assets, which comprise amounts due from joint ventures and associates, deposits and other receivables and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank and other borrowings and convertible bonds. In addition, banking facilities have been put in place for contingency purposes.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of short term loans to cover expected cash demands, subject to approval by management of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2019						
Trade payables	**–**	**2,812**	**–**	**–**	**–**	**2,812**
Other payables and accruals	**1,858,466**	**118,456**	**–**	**–**	**–**	**1,976,922**
Due to other related parties	**13,901**	**233**	**174,649**	**717**	**793**	**190,293**
Due to joint ventures	**3,399**	**–**	**197,779**	**–**	**–**	**201,178**
Bank and other borrowings	**729,474**	**1,637,424**	**181,061**	**545,556**	**822,644**	**3,916,159**
Guaranteed bonds	**–**	**4,428,938**	**–**	**–**	**–**	**4,428,938**
	2,605,240	**6,187,863**	**553,489**	**546,273**	**823,437**	**10,716,302**
At 31 December 2018						
Trade payables	–	9,553	–	–	–	9,553
Other payables and accruals	960,396	112,681	–	–	–	1,073,077
Due to other related parties	167,900	–	451,948	–	–	619,848
Due to a joint venture	127,239	–	–	–	–	127,239
Bank and other borrowings	197,121	1,050,409	1,728,966	175,092	701,673	3,853,261
Guaranteed bonds	–	277,875	4,516,688	–	–	4,794,563
	1,452,656	1,450,518	6,697,602	175,092	701,673	10,477,541

NOTES TO FINANCIAL STATEMENTS

31 December 2019

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Capital 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 or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

Depending on the market conditions and funding arrangements, if at any time repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings are calculated as total bank borrowings and guaranteed bonds. The gearing ratio as at the end of the reporting period was as follows:

	2019 **HK$'000**	2018 HK$'000
Total borrowings	**7,936,095**	7,756,034
Total assets	**18,324,182**	18,321,421
Gearing ratio	**43%**	42%

NOTES TO FINANCIAL STATEMENTS

31 December 2019

47. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 29(b) to the financial statements, the Group has the following significant events after the reporting period:

(a) On 24 February 2020, BPHL Capital Management Limited ("BPHL Capital Management"), a wholly owned subsidiary of the Company, issued 5.95% guaranteed bonds due 2023 (the "2023 Notes") in an aggregate amount of US$600,000,000 to independent third parties. The Company has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by BPHL Capital Management under the subscription agreement for the issue of 2023 Notes.

(b) On 17 March 2020, the Company entered into a term loan facility agreement (the "Facility Agreement") with a bank for a term loan facility (the "Loan Facility") in the amount of up to US$100,000,000. The Loan Facility is for a term of 36 months commencing from first utilization date which shall be within six months after 17 March 2020, being the date of Facility Agreement.

(c) Nimble City Limited, a wholly owned subsidiary of the Company, repurchased part of the US$250,000,000 9.0% guaranteed bonds due 2020 (the "Bonds") in an aggregated principal amount of US$33,000,000 (the "Repurchased Bonds") in the open market during the period from 19 March 2020 to 26 March 2020, representing approximately 13.2% of the initial aggregate principal amount of the Bonds. All of the Repurchased Bonds have been or will be cancelled. After cancellation of the Repurchased Bonds, the outstanding aggregate principal amount of the Bonds is US$217,000,000, representing 86.8% of the initial aggregate principal amount of the Bonds.

(d) The COVID-19 remains a very fluid situation and we are monitoring it closely. The health and safety of our employees and tenants are our top priority during this unprecedented and challenging time. As such, appropriate measures have been undertaken across the Group. In terms of operations, there has been partial impact caused by COVID-19 to the Group's development and operating projects. The construction project in Qingdao is waiting for the government's permission to resume work while the other projects delay the schedule for few months. Some of the projects are required to waive or reduce the rental due to the policy of local government in PRC. Pending on the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic and operating conditions arising thereof may have impact on the Group's financial result. The Group will pay close attention to the development of the COVID-19 and perform further assessment on its impact and take relevant measures.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**9**	25
Interests in subsidiaries	**8,250,989**	6,284,423
Interests in joint ventures	**–**	146,822
Equity investment at fair value through other comprehensive income	**5,347**	22,787
Total non-current assets	**8,256,345**	6,454,057
CURRENT ASSETS		
Prepayments, deposits and other receivables	**643**	4,272
Due from subsidiaries	**1,113,827**	2,387,764
Due from joint ventures	**38,460**	126,388
Cash and bank balances	**143,959**	37,342
Total current assets	**1,296,889**	2,555,766
CURRENT LIABILITIES		
Other payables and accruals	**1,366,882**	43,634
Due to the immediate holding company	**697**	747
Due to subsidiaries	**3,772,762**	171,321
Bank borrowings	**2,184,273**	196,500
Total current liabilities	**7,324,614**	412,202
NET CURRENT ASSETS/(LIABILITIES)	**(6,027,725)**	2,143,564

NOTES TO FINANCIAL STATEMENTS

31 December 2019

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Information about the statement of financial position of the Company as at the end of the reporting period is as follows: (Continued)

	2019 **HK$'000**	2018 HK$'000
NON-CURRENT LIABILITIES		
Bank borrowings	**–**	1,537,273
Due to subsidiaries	**77,660**	4,366,312
Total non-current liabilities	**77,660**	5,903,585
Net assets	**2,150,960**	2,694,036
EQUITY		
Issued capital	**696,933**	696,933
Reserves	**1,454,027**	1,997,103
Total equity	**2,150,960**	2,694,036

NOTES TO FINANCIAL STATEMENTS

31 December 2019

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: A summary of the Company's reserves is as follows:

	Share premium account	Contributed surplus	Share option reserve	Capital and other reserves	Financial asset revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	1,730,046	423,880	180,716	47,977	(81,737)	(14,459)	(71,307)	2,215,116
Loss for the year	–	–	–	–	–	–	(171,961)	(171,961)
Other comprehensive loss for the year								
– Changes in fair value of equity investment at fair value through other comprehensive income, net of income tax of nil	–	–	–	–	(30,176)	–	–	(30,176)
Total comprehensive loss for the year	–	–	–	–	(30,176)	–	(171,961)	(202,137)
Reduction in consideration shares to be issued for the acquisition of a subsidiary in the prior year as at result of a change in settlement terms of consideration	–	–	–	(4,203)	–	–	–	(4,203)
Issue of consideration shares for the acquisition of a subsidiary in the prior year	32,101	–	–	(43,774)	–	–	–	(11,673)
At 31 December 2018 and 1 January 2019	**1,762,147**	**423,880**	**180,716**	**–**	**(111,913)**	**(14,459)**	**(243,268)**	**1,997,103**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(525,636)**	**(525,636)**
Other comprehensive loss for the year								
– Change in fair value of equity investment at fair value through other comprehensive income, net of income tax of nil	**–**	**–**	**–**	**–**	**(17,440)**	**–**	**–**	**(17,440)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(17,440)**	**–**	**(525,636)**	**(543,076)**
Transfer of share option reserve upon cancellation of share options	**–**	**–**	**(16,603)**	**–**	**–**	**–**	**16,603**	**–**
At 31 December 2019	**1,762,147**	**423,880**	**164,113**	**–**	**(129,353)**	**(14,459)**	**(752,301)**	**1,454,027**

49. COMPARATIVE AMOUNTS

As further explained in note 2.3 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and disclosures and accounting treatment.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

PARTICULARS OF PROPERTIES

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Completed investment properties			
Level 1 on No. 89 Shenfei Road, Levels 1 and 2 on Nos. 59, 119, 159, 199, 239 Shenfei Road, and Levels 1 and 2 on Nos. 60, 90, 120, 160, 200 and 240 Shenya Road, Shanghai Wai Gao Qiao Logistics Centre, Shanghai City, the PRC#	Logistics Warehouse	Medium term lease	100%
Site 19, Third Avenue, Tianjin Airport Economic Area (International Logistics Zone), Tianjin City, the PRC#	Logistics warehouse	Medium term lease	100%
Metro Mall (excluding Units 63 to 65, Basement I) No. 63 Xihu Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC*	Shopping mall	Medium term lease	98.9%
A warehouse and surplus land located in Peng Jia Tai Community, Xiazhuang Street, Chengyang District, Qingdao City, Shandong Province, the PRC	Cold chain warehouse	Medium term lease	80%
Five warehouses, an ancillary building and various developing portions located at Nos. 555-563 Ji'an Road, Tong'an District, Xiamen City, Fujian Province, the PRC	Logistics warehouse	Medium term lease	80%
Land and Buildings situated at Nos. 3 & 5 Bencao Avenue South Section, Meishan Economic Development New Zone, Shangyi Town, Meishan City, Sichuan Province, the PRC	Logistics warehouse	Medium term lease	60%

PARTICULARS OF PROPERTIES

INVESTMENT PROPERTIES (Continued)

Location	Use	Tenure	Attributable interest of the Group
A warehouse located in Jin Ma Xian Dai Logistics Center, Jinma Avenue, Chengmai District, Haikou City, Hainan Province, the PRC	Logistics warehouse	Medium term lease	80%
Site F, Tianjin Airport International Logistics Zone, Tianjin City, the PRC#	Logistics warehouse	Medium term lease	100%
Five warehouses and ancillary facilities situated at Chengxiang Zhen High-tech Industry Park, Taicang City, Zhejiang Province, the PRC	Logistics warehouse	Medium term lease	54.36%
No. 168 Jing Bin Avenue, Tianjin Port Free Trade Zone, Tianjin City, the PRC#	Logistics warehouse	Medium term lease	100%
Section No.2012-3, Jiang Jia Shan, Kecheng District, Quzhou City, Zhejiang Province, the PRC	Logistics center	Medium term lease	100%
Section No.2014-1, Jiang Jia Shan Kecheng District, Quzhou City Zhejiang Province, the PRC	Logistics center	Medium term lease	100%
Warehouses and various building structures located in Ke'erqin Er Wei and Qi Jiefang, Ke'erqin District, Tongliao City, the PRC	Logistics warehouse	Medium term lease	100%

PARTICULARS OF PROPERTIES

INVESTMENT PROPERTIES (Continued)

Location	Use	Tenure	Attributable interest of the Group
Land Lot No. 2016-28, East of Wangguo Road and North of Guangqiong Road, Jiaxing City, Zhejiang Province, the PRC	Logistics warehouse	Medium term lease	54.36%
East of Wuyishan Road and North of Dongnan Avenue, Gaoxin High-tech Industries Development Area, Changshu City, Jiangsu Province, the PRC	Logistics warehouse	Medium term lease	54.36%
Investment properties under construction			
Land Lot No. 2016-G-9, East of Guoxiang Avenue and North of Songrui Road, Wuzhong Economic Development Area, Suzhou City, the PRC	Logistics warehouse	Medium term lease	54.36%
Land Lot No. 320517106901, North of Hengqi Road and West of Zhongliu Road, Chengxiang Zhen, Taicang City, Jiangsu Province, the PRC	Logistics warehouse	Medium term lease	54.36%
Developing warehouses in South of China Railway 19th Bureau, East of Tongliao Hexi Inner Mongolia Autonomous Region Food Reserve, Ke'erqin District, Tongliao City, the PRC	Logistics warehouse	Medium term lease	100%
A warehouse and various building structures located in Qi Jiefang, Ke'erqin District, Tongliao City, the PRC	Logistics warehouse	Medium term lease	100%
Developing warehouses in the Jiaozhou Economic and Technological Development Zone, Qingdao City, Shandong Province, the PRC	Logistics warehouse	Medium term lease	100%

PARTICULARS OF PROPERTIES

BUILDINGS, WAREHOUSES AND PROPERTY HELD FOR DEVELOPMENT

Location	Use	Tenure	Attributable interest of the Group
A hotel building located in Holiday inn downtown Beijing, 98 Beilishi Road, Financial Street, Xichengqu, the PRC	Hotel	Short-term lease	100%
Marine Economic Area, Binhai New Area, Hangu District, Tianjin City, the PRC	Cold chain warehouse	Medium term lease	60%
An industrial park headquarters project located in Tianning Economic Development Zone in Changzhou City, Jiangsu Province, the PRC	Industrial park	Medium term lease	72.48%

* The 6 Floor of Metro Mall was classified as properties held for sale as at 31 December 2017 (note 22).

\# The properties were classified as held for sale as at 31 December 2019 (note 15).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual report and audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**692,657**	480,705	335,025	317,966	296,572
Profit/(loss) before tax	**(268,055)**	316,529	298,687	171,881	341,033
Income tax	**(149,044)**	(216,329)	(3,103)	(47,783)	(67,118)
Profit/(loss) for the year	**(417,099)**	100,200	295,584	124,098	273,915
Attributable to:					
Shareholders of the Company	**(504,191)**	(23,677)	300,916	115,375	276,786
Non-controlling interests	**87,092**	123,877	(5,332)	8,723	(2,871)
	(417,099)	100,200	295,584	124,098	273,915

ASSETS, LIABILITIES AND TOTAL EQUITY

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**18,324,182**	18,321,421	17,860,702	11,718,464	11,466,544
Total liabilities	**(13,142,184)**	(11,751,191)	(11,068,063)	(6,713,621)	(7,005,860)
NET ASSETS	**5,181,998**	6,570,230	6,792,639	5,004,843	4,460,684
Attributable to:					
Shareholders of the Company	**3,210,134**	3,930,578	4,419,323	3,660,590	4,220,420
Non-controlling interests	**1,971,864**	2,639,652	2,373,316	1,344,253	240,264
TOTAL EQUITY	**5,181,998**	6,570,230	6,792,639	5,004,843	4,460,684