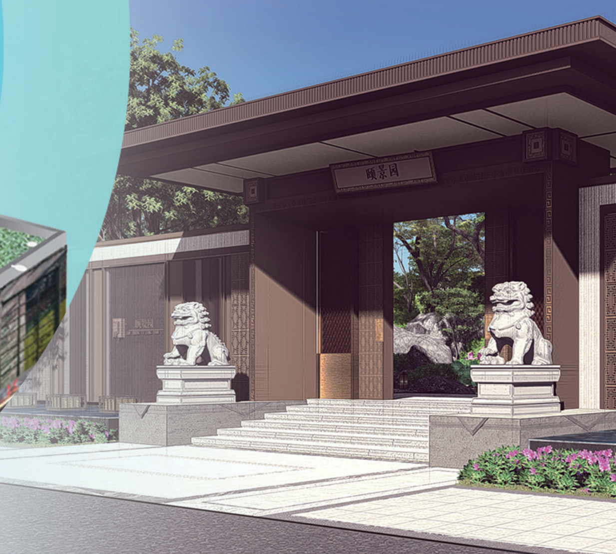
中昌國際
ZHONGCHANG INTERNATIONAL

Zhongchang International Holdings Group Limited
中 昌 國 際 控 股 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)
Stock code：859

Annual Report **2019**



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Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Fan Xuerui *(Chairman and Chief Executive Officer)*
Mr. Pi Minjie
(Appointed on 30 September 2019)
Mr. Sun Meng
Ms. Li Guang
Mr. Pan Gongcheng
(Appointed on 5 June 2019 and resigned on 30 September 2019)
Mr. Wang Junyong
(Resigned on 5 June 2019)
Mr. Lai Hing Kwok
(Resigned on 22 May 2019)

Non-executive director

Mr. Wang Xin
(Appointed on 23 August 2019)

Independent non-executive directors

Mr. Hung Ka Hai Clement
Mr. Liew Fui Kiang
Mr. Wong Sai Tat

COMMITTEES

Audit Committee

Mr. Hung Ka Hai Clement
(Committee Chairman)
Mr. Liew Fui Kiang
Mr. Wong Sai Tat

Nomination Committee

Mr. Liew Fui Kiang
(Committee Chairman)
Mr. Wong Sai Tat
Mr. Fan Xuerui

Remuneration Committee

Mr. Wong Sai Tat
(Committee Chairman)
Mr. Hung Ka Hai Clement
Mr. Fan Xuerui

Executive Committee

Mr. Fan Xuerui
(Committee Chairman)
Mr. Pi Minjie
(Appointed on 30 September 2019)
Mr. Sun Meng
Ms. Li Guang
Mr. Pan Gongcheng
(Appointed on 5 June 2019 and resigned on 30 September 2019)
Mr. Wang Junyong
(resigned on 5 June 2019)

AUTHORISED REPRESENTATIVES

Mr. Fan Xuerui
Mr. Suen Kin Wai
(appointed on 24 December 2019)
Mr. Lee Pui Lam
(resigned on 24 December 2019)

COMPANY SECRETARY

Mr. Suen Kin Wai
(appointed on 24 December 2019)
Mr. Lee Pui Lam
(resigned on 24 December 2019)

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1711
Tower 2 Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 189 Changxiang Middle Avenue,
Dantu District,
Zhenjiang City,
Jiangsu Province,
the PRC

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

(In Alphabetical order)

Agricultural Bank of China Limited
Bank of China Limited
Bank of Shanghai Co., Limited
China Construction Bank Corporation
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Nanyang Commercial Bank (China), Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISERS

As to Hong Kong law:
Cheung Tong & Rosa Solicitors

As to Bermuda law:
Conyers Dill & Pearman

As to PRC law:
Beijing Kangda Law Firm
Grandall Law Firm

FINANCIAL ADVISER

Optima Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
Cedar House
41 Cedar Avenue
Hamilton, HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE WEBSITE

http://www.zhongchangintl.hk

STOCK CODE

859

Corporate Profile

Zhongchang International Holdings Group Limited (hereinafter referred to as the "Company", together with its subsidiaries, collectively referred to as the "Group") is principally engaged in property development and property investment. During the year ended 31 December 2019 ("Reporting Period"), with the support from 上海三盛宏業投資（集團）有限責任公司 (Shanghai Sansheng Hongye Investment (Group) Company Limited*) ("Shanghai Sansheng"), the Group expanded/entered into the property development business in the People's Republic of China (the "PRC", which shall exclude Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this annual report), and invested in three property development projects in various major cities in the PRC, including Hangzhou, Zhenjiang and Jinhua.

In December 2017, Sansheng Hongye (Hong Kong) Limited ("Sansheng Hongye"), which is ultimately controlled by Mr. Chen Jianming, successfully acquired the controlling equity interests in the Company as mentioned in the joint announcement dated 22 December 2017. Sansheng Hongye is wholly-owned by Shanghai Sansheng which is in turn controlled by Mr. Chen Jianming. Shanghai Sansheng, headquartered in Shanghai, is a conglomerate focusing on real estate development in the PRC. After the change of control in December 2017, the Group has continued to consolidate and strengthen its existing property leasing business in Hong Kong while simultaneously seeking new opportunities in the real estate sector to broaden its source of revenue and earning base.

As disclosed in the announcements of the Company dated 24 October 2019, 29 October 2019 and 5 November 2019, the Company was informed by China Cinda (HK) Asset Management Co., Limited (the "Security Agent") on 21 October 2019 that pursuant to a facility agreement dated 15 May 2019 (the "Facility Agreement") entered into among Sansheng Hongye as borrower, Mr. Chen Jianming as guarantor, Ms. Chen Yanhong (the spouse of Mr. Chen Jianming) as guarantor, Shanghai Sansheng as guarantor, and the Security Agent as lender, arranger, agent and security agent in relation to a loan facility in the amount of HK$700 million for a term of 24 months, and certain financing documents entered into in relation to the Facility Agreement (together with the Facility Agreement, the "Finance Documents"), including but not limited to a share mortgage between Sansheng Hongye and the Security Agent (the "Share Mortgage") in respect of 843,585,747 shares of the Company (the "Charged Shares"), due to the continued occurrence of certain events of default under the Finance Documents (including failure to pay the outstanding fees under the Finance Documents after such fees became due and payable), the Security Agent has taken enforcement action on 18 October 2019 in accordance with the terms of the Share Mortgage (the "Enforcement Action"). It was alleged in the announcement dated 3 April 2020 issued by Glory Rank Investment Limited (a wholly-owned subsidiary of the Security Agent, the "Offeror") in relation to the mandatory unconditional general offer in cash to be made by the Offeror to acquire all the issued shares of the Company not already owned or agreed to be acquired by the Offeror and parties acting in concert with it (the "Offer Announcement") that (i) as a result of the Enforcement Action, the Security Agent became the beneficial owner of the Charged Shares; and (ii) as at the date of the Offer Announcement, the Security Agent, its ultimate beneficial owner and their respective parties acting in concert owned 843,585,747 shares of the Company, representing approximately 74.98% of the entire issued share capital of the Company.

On 29 April 2020, the Offeror despatched the offer document to the shareholders of the Company (the "Shareholders") in connection with the mandatory unconditional general offer in cash made by the Offeror containing, among other things, principal terms of the mandatory unconditional general offer and information on the Offeror. The Company expects to despatch the response document relating to the mandatory unconditional general offer to all Shareholders in accordance with the Hong Kong Code on Takeovers and Mergers on 13 May 2020.

The board (the "Board") of directors of the Company (the "Directors") consider the Enforcement Action has no material adverse impact on the Company's business operation. The Board will continue to seek investment opportunities in property market with good development prospects to create value for the Company and the Shareholders.

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the Reporting Period.

During the Reporting Period, the trade tensions between the United States of America ("U.S.") and the PRC together with the local social environment took a hit on the business environment in Hong Kong, which made 2019 especially challenging. In response to the volatile economic environment, we remain focused on implementing our cautious stance on acquisition of land in the PRC and continued cautious execution of our property development projects. We carried out prudent measures in optimising the Hong Kong property leasing business facing the unstable property market in 2019.

Looking into 2020, the outbreak of COVID-19 in the first quarter has severely impacted the economic environment and the market in the geographic area where the Company's business is in. It is foreseeable that 2020 will remain as a challenging year, but we see it as a good opportunity to scrutinise on ourselves and strengthen ourselves in the direct encounter to the challenge.

First, we are proactively embracing the challenges and accommodating ourselves to the challenging and fast-changing environment. We strongly believe that one cannot opt for environment but must adapt to it. In view of the tightened financing environment, we endeavor to increase our liquidity by cashing some non-current asset, accelerating pre-sale of properties, lowering costs and operating expenses and optimising financial structure. The Group will continue to consolidate and strengthen its investment property portfolio with a view to enhancing the Group's profitability.

Second, we believe that the economy comes in cycles, especially for periodic industries like real estate, which have profound relationship with the macroeconomy and the financial market. We keep monitoring the market emotion and trying to step on the best timing. We target to stay alert, keep mind open and stay long sighted, and get prepared for new opportunities.

Third, we shall stay confident and discover opportunities out of the crisis. Looking forward to 2020, despite many uncertain factors affecting the economies of the PRC and Hong Kong, we believe that the PRC will continue to promote structural economic transformation and maintain stable growth in the foreseeable future. There have already been obvious signs that the economy is recovering at a speed faster than expected since the second quarter of 2020. The government's policies have been supportive especially for enterprises to defer the payments of tax and various governmental fees in various cities in the PRC, we believe that development speed of the PRC will continue to be a leading one among large economies of the world, the Company is also confident on Hong Kong economy's resilience, and we believe the prospect of the Hong Kong economy will remain positive because of Hong Kong's unique geopolitical advantage.

On behalf of the Board, I would like to express my sincere gratitude to all fellow directors and staff for their dedication and contribution, and to the Shareholders and business partners for their support.

FAN Xuerui
Chairman and Chief Executive Officer

Hong Kong, 29 April 2020

Management Discussion and Analysis

REVIEW OF OPERATIONS

Property leasing business

During the Reporting Period, Hong Kong's retail market continued to face strong headwinds from depreciation of Renminbi ("RMB") and the continuing trade dispute between the U.S. and the PRC, which had a dampening effect on the consumption by Chinese tourists. Despite the sluggish retail threat in 2019, the Group's retail investment property portfolio in Hong Kong recorded a stable performance in terms of the high occupancy rate and a slight growth in rental revenue. The investment properties of the Group are situated in the prime shopping district of Causeway Bay and the Group continues to refine the diverse-trade tenants mix (mainly includes food and beverages, beauty and health care and pharmaceuticals which have outperformed in the retail sector). During the Reporting Period, the portfolio has recruited certain new tenants (including well-recognised grocery brand tenant – "Bestmart 360" and branded beauty business) to broaden the Group's trade offering in turn maintaining the Group's core revenue and earnings base. The Group has been maintaining a good relationship with its tenants by assisting them to compete in a more challenging business environment.

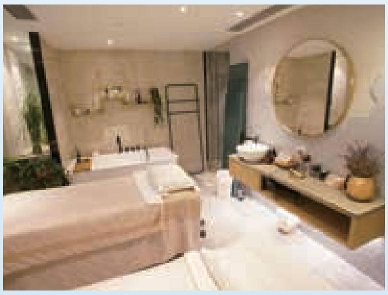
As at 31 December 2019, the investment property portfolio of the Group recorded an occupancy rate of approximately 93.6%. The valuation of the investment properties of the Group amounted to HK$1,921.6 million as at 31 December 2019 (31 December 2018: HK$1,946.7 million), representing a decrease of approximately 1.3%. Jardine Center remained as the Group's core and steady income generator, accounting for approximately 66.1% (nine months ended 31 December 2018: approximately 68.4%) of the total revenue of the Group for the Reporting Period.

Management Discussion and Analysis

Set out below is a table summarising the valuation and revenue contribution of the investment properties portfolio of the Group for the Reporting Period.

	Valuation of investment properties as at 31 December		Revenue for the year ended 31 December	Revenue for nine months ended 31 December	Changes in revenue
	2019	2018	**2019**	2018	
	HK$'000	HK$'000	**HK$'000**	HK$'000	%
Causeway Bay					
Jardine Center, No. 50 Jardine's Bazaar	**1,480,000**	1,500,000	**29,715**	22,438	32.4
Ground Floor and Cockloft Floor, No. 38 Jardine's Bazaar	**102,000**	103,000	**2,311**	1,753	31.8
First Floor, Nos. 38 and 40 Jardine's Bazaar	**14,600**	14,700	**468**	262	78.6
Ground Floor including Cockloft, No. 41 Jardine's Bazaar	**135,000**	137,000	**2,843**	1,948	45.9
Ground Floor, No. 57 Jardine's Bazaar	**138,000**	140,000	**2,848**	2,307	23.5
Mid-levels West					
Shop No. 1 on Ground Floor of K.K. Mansion, Nos. 119, 121, 125 Caine Road	**52,000**	52,000	**994**	247	302.4
Total	**1,921,600**	1,946,700	**39,179**	28,955	35.3

Unrealised fair value loss on investment properties amounted to HK$25.1 million for the Reporting Period (nine months ended 31 December 2018: gain of HK$19.2 million). The decrease in the valuation was mainly due to local social environment and economic uncertainties in Hong Kong.



Management Discussion and Analysis

The following are the Group's investment properties located in Causeway Bay

Management Discussion and Analysis

Property Development Business

The Zhenjiang Acquisition – 南山淺水灣 (Nanshan Qianshuiwan) ("NQS")*

As disclosed in the announcement of the Company dated 9 December 2018 and the circular of the Company dated 10 January 2019 ("Circular I"), the Group entered into an agreement ("SPA I") with Sanshenghongye (BVI) Holdings Limited ("Sansheng BVI") to acquire the entire issued capital of High Morality Limited ("High Morality"), which indirectly holds three parcels of land located in Zhenjiang City, Jiangsu Province, the PRC, at a consideration of approximately RMB194.9 million ("Consideration I") (the "Zhenjiang Acquisition"). The SPA I was approved by the independent Shareholders at a special general meeting held in January 2019. The completion took place on 1 March 2019 ("Completion I") and High Morality became a wholly-owned subsidiary of the Group (subject to a put option granted by Sansheng BVI to the Group pursuant to the SPA I which shall be exercisable from the date of Completion I to 31 August 2022 if certain conditions are fulfilled (as described below), which, when exercised, enables the Group to require Sansheng BVI to acquire from the Group the entire issued share(s) of High Morality and any outstanding loan(s) owed by High Morality and/or any subsidiary of High Morality to the Group ("Put Option I")).

The land is located at one of the central cities of the Yangtze River Delta Area with easy access to major cities such as Nanjing and Shanghai and adjacent to community resources such as academic institutions, municipal offices, ecological parks, shopping malls and a hospital. It is also situated at the high-end residential district in Zhenjiang City and is planned to be developed into a mixed-used residential and commercial development (i.e. Phase II of NQS) with total planned gross floor area ("GFA") of approximately 160,000 sq.m., including residential area of approximately 151,700 sq.m., commercial area of approximately 3,900 sq.m. and ancillary area of approximately 2,400 sq.m.. The Group intends to designate all residential and commercial units for sale. Phase II of NQS comprises 22 villas, 13 high rise residential towers and spaces for retail and ancillary facilities such as kindergarten.

The planned development of Phase II of NQS is as follows:

	GFA (sq.m.)							
Phase	Residential	Retail	Car park	Ancillary areas	Total	Estimated/actual commencement date	Estimated completion date	Estimated/actual pre-sale date
Phase 1	61,223	–	–	–	61,223	March 2019	December 2021	August 2019
Phase 2	42,546	–	–	–	42,546	June 2020	September 2022	December 2020
Phase 3	47,895	1,866	2,036	2,400	54,197	November 2020	January 2023	January 2022
Total	151,664	1,866	2,036	2,400	157,966			

The Group obtained the pre-sale permit and the sales promotion center has been launched for pre-sale in 2019. The first batch of pre-sales commenced in mid-August 2019. As at 31 December 2019, 26 residential units have been pre-sold and proceeds from pre-sale of properties amounted to approximately RMB36,720,000 (equivalent to approximately HK$40,993,000).

In terms of financing, the Group has successfully obtained self-financed construction loan for the construction of Phase II of NQS and drew down RMB200.0 million from 上海愛建信托有限責任公司 (Shanghai Aijian Trust Co., Limited*) ("Shanghai Aijian") during the Reporting Period to secure sufficient financial resources to meet with the funding requirement of aforesaid construction.

Management Discussion and Analysis

As of 31 December 2019, the Group had properties for sale of which 8 sets of completed residential properties of Phase I of NQS were not taken into account in determination of the Consideration I as the Group does not intend to acquire them and 6 out of 8 were pledged to a financial institution in the PRC as security for defaulted loans granted to two individuals who are related parties of previous owner of the NQS. Accordingly, it is one of the terms under SPA I that after completion of the acquisition, the sale of these properties shall be the responsibility of Sansheng BVI.

As disclosed in the Circular I, the Put Option I will become exercisable if the adjusted net asset value ("ANAV") of High Morality and its subsidiaries ("High Morality Group") as at any of the relevant valuation dates (including 31 December 2019) ("Valuation Date"), calculated based on the aggregation of (i) audited consolidated net assets value of High Morality Group as of the Valuation Date after adjusted for the valuation surplus or the valuation deficit (as the case may be) with reference to the market value of NQS Phase II as of the Valuation Date; and (ii) added back any uncapitalised finance cost and taxation thereof, is lower than the Consideration I.

The market value of Phase II of NQS as of 31 December 2019 (appraised by an independent valuer, Jones Lang Lasalle Corporate Appraisal and Advisory Limited ("JLL")), was RMB791.0 million and thereby giving rise to the effect that the ANAV of High Morality Group as at 31 December 2019 amounting to approximately RMB262.1 million, which is higher than the Consideration I. Accordingly, the Put Option I was not exercisable as at 31 December 2019.

The Directors are cautiously positive about the prospects of the property market in Zhenjiang City and expect the Zhenjiang Acquisition can generate satisfactory return to the Group and the Shareholders as a whole.

The Jinhua Acquisition – 48.51% effective interests in 金義頤景園 (Jinyi Yijingyuan)

As disclosed in the announcements of the Company dated 4 February 2019, 22 February 2019 and 7 March 2019 and the circular of the Company dated 8 March 2019 ("Circular II"), the Group entered into an agreement and a supplemental deed ("SPA II") with Sansheng BVI as the vendor pursuant to which the Group acquired (i) 49% of the issued share capital of Yitai International (BVI) Holdings Ltd. ("Yitai"), a company which holds 99% indirect equity interest in a project company which in turn holds a land in Jinhua City, Zhejiang Province, the PRC; and (ii) a loan in the principal amount of RMB48.51 million owed by a subsidiary of Yitai to Sansheng BVI's related party at an aggregate consideration of approximately RMB255.6 million ("Consideration II") (the "Jinhua Acquisition"). The SPA II was approved by the independent Shareholders at a special general meeting held in March 2019. The completion took place on 2 April 2019 ("Completion II") and Yitai has become the Group's associate (subject to a put option granted by Sansheng BVI to the Group pursuant to the SPA II which shall be exercisable from the date of Completion II to 31 August 2020 if certain conditions are fulfilled as described below which, when exercised, enables the Group to require Sansheng BVI to acquire from the Group 49% of the issued share capital of Yitai and any outstanding loan(s) owed by Yitai and/or any subsidiary(ies) of Yitai to the Group ("Put Option II").

The land is being developed into a mixed-use residential and commercial complex under the brandname of "頤景園" in two phases with a total GFA of approximately 337,530 sq.m., including residential area of approximately 195,100 sq.m., commercial area of approximately 50,200 sq.m. and basement (inclusive of car parking spaces) of approximately 88,600 sq.m.. Development of phase I of the project, which includes 11 residential towers with an aggregate area of 111,500 sq.m., 2 office towers and retail shops of 50,200 sq.m. and 1,200 car parking spaces, commenced in April 2018 and is expected to complete by end of 2020. Development of phase II of the project commenced in mid 2018 and is expected to complete by early 2021. Pre-sale of phase I of the project was launched in July 2018. These contracted sales will be recognised by Yitai as revenue in 2020 upon completion of development of phase I of the project. Pre-sale of phase II of the project was launched in the first quarter of 2019 and further revenue is expected to be recognised by Yitai in early 2021 upon completion of development of phase II.

Management Discussion and Analysis

The Directors considered that it would be in the Group's best interest to participate in the project as a passive non-controlling shareholder which the Group is not required to invest substantial resources in the management and operation of the project. Accordingly, Yitai will be accounted for as an associate of the Group as the Group does not exercise control over Yitai.

As disclosed in the Circular II, the Put Option II will become exercisable conditional upon the benchmark value (basis of determination as disclosed in the Circular II) being lower than the Consideration II. Given that the market value of Jinyi Yijingyuan as of 31 December 2019 (appraised by an independent valuer, JLL) was RMB1,891.0 million, which is higher than the book value of the project and thus giving rise to the effect that the benchmark value of approximately RMB285.8 million being higher than the Consideration II, the Put Option II was not exercisable as of 31 December 2019.

Acquisition of a land parcel in Hangzhou City

As disclosed in the announcements of the Company dated 24 June 2019 and 8 July 2019 and the circular of the Company dated 12 July 2019, the Group has entered into a transfer agreement with 杭州市規劃和自然資源局臨安分局 (Lin'an Branch of Hangzhou Planning and Natural Resources Bureau*) for acquisition of a parcel of land located at Lin'an District, Hangzhou City, Zhejiang Province, the PRC ("Lin'an Land"), at a cash consideration of RMB347,580,000. Completion of the acquisition shall take place no later than 7 July 2020. As at 31 December 2019, the Group has paid a partial payment of RMB173,790,000 (equivalent to approximately HK$194,010,000) in respect of the acquisition.

As disclosed in the announcement of the Company dated 7 April 2020, the Group entered into a conditional sale and purchase agreement dated 7 April 2020 with an independent third party to dispose of the interest in the Lin'an Land , the details of which are disclosed under the section headed "Events after the Reporting Period" on pages 26 to 27 of this annual report.

Property Project Management business

As disclosed in the announcement of the Company dated 21 August 2018 and the circular of the Company dated 13 September 2018, the Group started to engage in property project management services business in the fourth quarter of 2018 by entering into the Project Management Master Agreement (as defined in the circular of the Company dated 13 September 2018). Pursuant to the Project Management Master Agreement, 佛山銘舟工程管理諮詢有限公司 (Foshan Mingzhou Construction Management Consultancy Company Limited*) ("Mingzhou Consultancy"), an indirect wholly-owned subsidiary of the Company, entered into four individual project management agreements to provide project management services for the real estate projects in the PRC, which are owned and developed by Shanghai Sansheng and its subsidiaries ("Shanghai Sansheng Group") in return for receiving quarterly consultancy service fee charged at a fixed fee rate of 2% (having appraised with reference to the PRC statutory maximum fee rate as stipulated by Ministry of Finance of the PRC) on their respective actual construction cost incurred. The Project Management Master Agreement constituted continuing connected transactions of the Company and thus the consultancy services fee to be received was limited to the annual caps for the three years ending 31 December 2020 approved by the independent Shareholders held at a special general meeting held on 11 October 2018. During the Reporting Period, the Group recorded income for provision of property project management services of approximately HK$5.8 million (nine months ended 31 December 2018: approximately HK$3.8 million), which was within the approved annual caps for the year ended 31 December 2019 of HK$19,188,000 or RMB16,685,000. During the Reporting Period, Mingzhou Consultancy was engaged in provision of property project management services rendered to four residential development projects located in Foshan, Heshan and Huizhou, the PRC, with aggregate planned GFA of approximately 1,164,000 sq.m.. These projects were selected given their strategic locations in the Guangdong-Hong Kong-Macao Greater Bay Area which has higher accessibility from Hong Kong.

In September 2019, after considering that the property project management services business has limited potential in the PRC market and the performance of such business has not been satisfactory, for long term business development of the Group and to reallocate resources towards the Group's core business in property leasing and property development, the Board resolved to suspend such business starting from the fourth quarter of 2019.

Others

Acquisition of a hotel in Zhoushan city ("Hotel Acquisition")

As disclosed in the announcement of the Company dated 8 August 2019 and the circular of the Company dated 29 August 2019 ("Circular III"), the Group has entered into an agreement (the "Agreement") with 佛山三盛房地產有限責任公司 (Foshan Sansheng Real Estate Co., Ltd.*) ("Foshan Sansheng") for the acquisition of the entire equity interest in 舟山三盛酒店管理有限公司 (Zhoushan Sansheng Hotel Management Co., Ltd.*) ("Zhoushan Sansheng") at the consideration of RMB120.0 million (equivalent to approximately HK$134.4 million) in cash. Zhoushan Sansheng holds Pullman Zhoushan Seaview (舟山三盛鉑爾曼大酒店) (the "Hotel"), a hotel located in Zhoushan City, Zhejiang Province, the PRC. The Hotel Acquisition was approved by independent Shareholders at the special general meeting of the Company on 18 September 2019. As at 31 December 2019, an aggregate amount of RMB66,800,000 (equivalent to approximately HK$74,572,000) was paid as consideration to Foshan Sansheng.

As disclosed in the announcements of the Company dated 31 December 2019 and 14 January 2020, the charge over the equity interest in Zhoushan Sansheng in favour of 浙江浙銀金融租賃股份有限公司 (Zhejiang Zheyin Finance Lease Co., Ltd.*) was not capable of being released and the conditions precedent for completion of the Hotel Acquisition were not capable of being fulfilled on or before the original long stop date of 31 December 2019. On 31 December 2019, the parties to the Agreement agreed in writing to extend the long stop date to 30 June 2020.

While the parties to the Agreement are still working towards fulfillment of the conditions precedent for completion of the Hotel Acquisition and considerating alternative transaction structure, in light of the outbreak of the COVID-19 which has adversely affected the hospitality and tourism industries across all regions, the Company is also re-assessing the terms of the acquisition and considering whether to pursue the transaction if the condition could not be fulfilled on or before the extended long stop date.

PROSPECTS

Looking forward to year 2020, the global markets are expected to be cloudy due to uncertainties such as volatile stock markets, weakening of RMB, trade tension between the U.S. and the PRC, and the recent COVID-19 outbreak. The retail sector in Hong Kong which is the Group's source of rental income from its investment properties has been among the hardest hit industries under the outbreak of COVID-19 in the first quarter of 2020. Under such circumstances, the Group is facing challenges from overdue rental payments from tenants and drop in fair value of its investment properties in Hong Kong. Although the property leasing market in Hong Kong has been affected by the precautionary measures to tackle the COVID-19 epidemic and the poor consumer sentiment in the short term, the Company believes this will not translate to a long-term contraction in demand for retail space in Hong Kong. Furthermore, the outbreak of COVID-19 has also affected the operation of the Group's property development business in the PRC which included slowdown of construction progress, marketing and sales activities. Nevertheless, the construction works and sales activities have been progressively resuming following the gradual recovery from the COVID-19 epidemic in the PRC.

The Group is aware of the challenges ahead and will closely monitor the global market conditions. In spite of the above, the market expects the PRC's gross domestic product growth rate would be approximately 5.9% this year, compared to approximately 2.5% of the global economy. It is expected that the PRC government will continuously put efforts on "seeking growth while maintaining stability" strategy to ensure a steady growth. The Group remains optimistic about the development of economy in both the PRC and Hong Kong, as well as its business development in 2020. Going forward, the Group will continue to evaluate investment opportunities in different property projects with a view to optimising the Group's property project portfolio, strengthening investment property portfolio and maximising returns.

Management Discussion and Analysis

FINANCIAL REVIEW

The Group's revenue for the year ended 31 December 2019 was approximately HK$45.0 million (nine months ended 31 December 2018: approximately HK$32.8 million). It comprised (i) gross rental income from investment properties; and (ii) property project management services income. The increase in revenue was primarily attributable to the shorter reporting period of only nine months in 2018.

Other (loss)/income for the Reporting Period decreased by approximately HK$4.3 million to a loss of approximately HK$0.1 million (nine months ended 31 December 2018: gain of approximately HK$4.2 million). The decrease was mainly due to (i) decrease in bank interest income; (ii) a fair value loss on derivative financial instruments of approximately HK$0.6 million recognised during the Reporting Period; and (iii) a fair value loss of financial assets at fair value through profit or loss of approximately HK$1.7 million recognised during the Reporting Period.

Staff cost comprised salaries and allowances, directors' emoluments, retirement benefit costs, social security contribution and other benefits in kind. During the Reporting Period, the staff cost increased by approximately 178.5% due to (i) increased staff cost from NQS project following the Zhenjiang Acquisition; (ii) increased staff cost from property project management services segment during the Reporting Period; (iii) increase in directors' emoluments, and (iv) shorter reporting period of only nine months in 2018.

The composition of other operating expenses by nature is mainly classified as follows:

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Investment properties operating costs	**3,992**	2,700
Professional fees	**9,157**	5,439
Marketing and advertising expenses	**7,462**	–
General administrative costs	**6,224**	2,629
Exchange loss, net	**2,241**	–
	29,076	10,768

Investment properties operating costs mainly comprised repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. The increase in such costs was mainly due to the shorter reporting period of only nine months in 2018.

Professional fees incurred for the Reporting Period mainly included professional fees for new other borrowings and other professional fees such as auditors' remuneration, financial advisory fees and legal fees.

Share of results of an associate included the Group's share of losses incurred by Yitai and its subsidiaries ("Yitai Group") since the Completion II until 31 December 2019 and a gain arising from negative goodwill on acquisition of Yitai Group which was resulted from the excess of the Group's share of the net fair value of the identifiable assets and liabilities of Yitai Group over the cost of investment in Yitai Group. The loss incurred by Yitai Group was because that all the proceeds from its pre-sold properties are yet to be recognised as revenue until the construction of the pre-sold properties are completed and the possession of these properties have been delivered to the customers. Accordingly, Yitai Group has not recognised any revenue and only incurred uncapitalised pre-selling and administrative expenses and provision for impairment under expected credit loss model during the Reporting Period.

As at 31 December 2019, the investment properties of the Group were revalued at HK$1,921.6 million (31 December 2018: HK$1,946.7 million) by an independent professional valuer. During the Reporting Period, fair value loss on investment properties of HK$25.1 million was recognised in the statement of profit or loss and other comprehensive income.

Management Discussion and Analysis

Finance costs for the Reporting Period increased by approximately 28.4% to approximately HK$23.5 million (nine months ended 31 December 2018: approximately HK$18.3 million). The change was primarily attributable to (i) new bank borrowing of HK$270.0 million and new other borrowings of approximately HK$550.6 million during the Reporting Period; (ii) capitalisation of finance cost of approximately HK$56.6 million during the Reporting Period; and (iii) shorter reporting period of only nine months in 2018.

Net loss attributable to owners of the Company was approximately HK$94.8 million (nine months ended 31 December 2018: profit of approximately HK$17.3 million), representing a decrease of approximately HK$112.1 million as compared with those of nine months ended 31 December 2018. The decrease in net profit was primarily due to (i) decrease in fair value of investment properties in Hong Kong; (ii) increase in staff costs and other operating expenses; (iii) impairment loss under expected credit loss model of approximately HK$15.5 million on certain financial assets of the Group; (iv) share of loss of an associate of approximately HK$1.8 million; and (v) impairment on investment in an associate of approximately HK$26.1 million due to decline in selling prices of the properties held by the associate.

Liquidity and Financial Resources

The Group mainly finances its business operations with its internal resources and bank and other borrowings. As at 31 December 2019, the Group had cash and bank balances (including bank deposits) of approximately HK$206.0 million (31 December 2018: approximately HK$1,015.0 million), of which approximately 38.1% were deposited with banks in Hong Kong and the remaining of approximately 61.9% were deposited with banks in the PRC. The decrease in cash and bank balances was mainly attributable to the Zhenjiang Acquisition, the Jinhua Acquisition, the acquisition of the Lin'an Land and the Hotel Acquisition. The Group's cash and bank balances were deposited in Hong Kong Dollars ("HKD") and RMB which mainly were preserved in risk-free bank deposits to maintain highly liquidity financial resources available for facilitating future investment activities and acquisitions when opportunities arise.

As at 31 December 2019, the Group's bank and other borrowings amounted to approximately HK$1,590.9 million (31 December 2018: approximately HK$839.9 million), in which the bank borrowings carry floating interest rate at Hong Kong Interbank Offer Rate ("HIBOR") plus a fixed margin and the other borrowings carry interest rates ranging from 8% to 23% per annum, the maturity profile is set out as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Repayable:		
On demand or within one year	**591,750**	25,710
Within a period of more than one year but within two years	**41,202**	25,710
Within a period of more than two years but within five years	**957,988**	788,450
	1,590,940	839,870

The Group's gearing ratio as at 31 December 2019, which is calculated on the basis of total liabilities over total assets, was approximately 47.0% (31 December 2018: approximately 29.5%) whilst the current ratio of the Group which expressed a ratio of current assets over current liabilities as at 31 December 2019, was approximately 2.1 (31 December 2018: approximately 29.0). The Group will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet its funding requirements.

Capital Structure

As at 31 December 2019 and 2018, the issued share capital of the Company was 1,125,027,072 shares. During the Reporting Period, there was no movement of the issued share capital of the Company.

As at 31 December 2019, the audited net assets amounted to approximately HK$1,983.3 million (31 December 2018: approximately HK$2,096.3 million), representing a decrease of approximately 5.4%. With the total number of 1,125,027,072 ordinary shares in issue as at 31 December 2019, the net assets value per share was approximately HK$1.76 (as at 31 December 2018: approximately HK$1.86).

Management Discussion and Analysis

Treasury Policy

The Group's transactions and its monetary assets are principally denominated in HKD and RMB. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

DIVIDEND

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

CORPORATE GUARANTEE

As at 31 December 2019, the Company provided corporate guarantee to a bank for securing banking facilities granted to its subsidiaries which amounted to HK$1,127,000,000 (31 December 2018: HK$857,000,000), while certain subsidiaries have provided corporate guarantees to a financial institution for securing facilities granted to the Company which amounted to HK$150,000,000 (31 December 2018: Nil).

CHARGES ON GROUP ASSETS

As at 31 December 2019, the Group had pledged the following assets:

1. investment properties in Hong Kong with an aggregate carrying amount of HK$1,921,600,000 (31 December 2018: HK$1,655,000,000) for securing the Group's bank and certain other borrowings;

2. share mortgage of certain subsidiaries for securing their respective bank borrowings;

3. rental assignments in respect of the investment properties held by the Group;

4. properties for sale under development with an aggregate carrying amount of approximately HK$819,203,000 (31 December 2018: Nil) and the entire equity interest in a subsidiary for securing other borrowings amounted to RMB448,400,000 (equivalent to approximately HK$500,569,000) from Shanghai Aijian;

5. Properties for sale – completed properties with an aggregate carrying amount of approximately HK$21,110,000 (31 December 2018: Nil) pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties; and

6. entire equity interests in certain subsidiaries for securing the Company's other borrowing which amounted to HK$50,000,000 from the Security Agent.

Management Discussion and Analysis

CONTINGENT LIABILITIES

Under the agreement for sale and purchase of share in and debts owed by Seedtime International Limited ("Seedtime") signed among the Company, Rose City Group Limited ("Rose City", an indirect wholly-owned subsidiary of the Company) and Prime Magic Holdings Limited ("Prime Magic") on 13 July 2017 ("Seedtime Agreement"), the Company acts as guarantor in favour of Prime Magic for the disposal of entire issued share capital of Seedtime, which was completed on 13 December 2017 ("Completion Date").

The Company irrevocably and unconditionally guarantees to Prime Magic the due and punctual observance and performance by Rose City of all its obligations undertaken in the agreement and Rose City's warranties; and has undertaken that if for any reason Rose City fails to observe or perform any of such obligations and/or is in breach of any Rose City's warranties, it shall on demand observe or perform or procure Rose City to observe or perform the same in respect of which Rose City shall be in default and make good to Prime Magic and indemnify and hold harmless Prime Magic against all reasonable losses, damages, costs and expenses arising or incurred by Prime Magic as a result of such non-observance or non-performance.

Under the Seedtime Agreement, no claim shall be made against Rose City and/or the Company in respect of any breach of Rose City's warranties unless written notice thereof shall have been given by Prime Magic to Rose City within two years from the Completion Date (i.e. 13 December 2019).

There was no relevant claims reported as at 31 December 2018 and up to 13 December 2019.

Save as disclosed aforesaid, the Group did not have any significant contingent liabilities as at 31 December 2019 and 2018.

COMMITMENTS

As at 31 December 2019, the Group had committed payment for the construction and land development expenditures in respect of properties under development classified as properties for sale amounted to approximately HK$212,498,000 (as at 31 December 2018: Nil).

As disclosed in note 20 of the consolidated financial statements, as at 31 December 2019, the outstanding capital contribution to a limited partnership amounted to RMB12,660,000 (equivalent to approximately HK$14,133,000) (as at 31 December 2018: Nil).

As disclosed in page 10 of this annual report, the outstanding consideration to be paid for acquisition of Lin'an Land amounted to RMB173,790,000 (equivalent to approximately HK$194,010,000) as at 31 December 2019 (as at 31 December 2018: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 45 employees. The Group offers its employees competitive remuneration packages which commensurate with their performances, experiences and job responsibilities. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus, share options and mandatory provident fund schemes.

The emoluments of the Directors are decided by the Board after recommendation from the remuneration committee of the Company, having considered factors such as the Group's financial performance, individual qualifications and performance of the Directors etc.

Report of the Directors

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 44 of the consolidated financial statements. The business review of the Group for the Reporting Period as well as further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance (except for the principal risks and uncertainties facing the Group set out from pages 24 to 25), are set out in the section headed "Management Discussion and Analysis" from pages 5 to 15, the section headed "Investors' Relations and Communication with Shareholders" under Corporate Governance Report from pages 46 to 47 and the "Environmental, Social and Governance Report" from pages 49 to 69 of this annual report, which form part of this directors' report.

FINANCIAL STATEMENTS

The results of the Group for the Reporting Period and the state of the Company's and the Group's affairs as at 31 December 2019 are set out in the consolidated financial statements from pages 77 to 169.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the annual general meeting ("AGM")

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 16 June 2020 to Friday, 19 June 2020 (both dates inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Monday, 15 June 2020.

INVESTMENT PROPERTIES

The Group's investment properties as at 31 December 2019 were revalued by an independent firm of professional properties valuers using income capitalisation approach and by making reference to comparable rent and sales transactions of similar properties in the similar locations and conditions as available in the market. Details of movements in the investment properties of the Group during the Reporting Period are set out in note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

During the Reporting Period, there was no movement of the issued share capital of the Company, details of the share capital of the Company and the issue of shares made by the Company are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing Shareholders.

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

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

CONVERTIBLE NOTES

The Company issued the convertible notes in December 2015 (the "Convertible Notes"). Details of the issue and movements in the Convertible Notes during the Reporting Period are set out in note 27 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

RESERVES

Movements in reserves of the Group and the Company during the Reporting Period are set out on page 79 and page 169 of this annual report respectively.

As at 31 December 2019, the Company's reserve available for distribution to shareholders of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) amounted of approximately HK$78,604,000 (31 December 2018: approximately HK$91,536,000).

Report of the Directors

SHARE OPTION SCHEMES

During the Reporting Period, there was no share options granted, particulars of the share option schemes are set out in note 32 to the consolidated financial statements.

MAJOR PROPERTIES

Particulars of the major properties held by the Group are set out from pages 171 to 172 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years/period is set out on page 170 of this annual report.

DIRECTORS

The Directors during the Reporting Period and subsequent to the date of this report were:

Executive Directors

Mr. Fan Xuerui	
Mr. Pi Minjie	(appointed on 30 September 2019)
Mr. Sun Meng	
Ms. Li Guang	
Mr. Pan Gongcheng	(appointed on 5 June 2019 and resigned on 30 September 2019)
Mr. Wang Junyong	(resigned on 5 June 2019)
Mr. Lai Hing Kwok	(resigned on 22 May 2019)

Non-executive Director

Mr. Wang Xin	(appointed on 23 August 2019)

Independent non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Liew Fui Kiang
Mr. Wong Sai Tat

In accordance with the Company's bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Fan Xuerui, Mr. Sun Meng and Ms. Li Guang will retire from office at the forthcoming AGM and being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management as at the date of this report are set out on pages 28 to 32 of this annual report.

CHANGE OF DIRECTORS' INFORMATION

Change in information on Directors since the date of the interim report 2019 of the Company and up to the date of this annual report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Fan Xuerui ("Mr. Fan") was appointed as an executive Director with effect from 12 January 2018 and he was appointed as a member of each of the nomination committee ("Nomination Committee"), the remuneration committee ("Remuneration Committee") and the executive committee ("Executive Committee") of the Company on 2 February 2018. Mr. Fan was also appointed as the chief operating officer of the Company with effect from 1 November 2018 and further appointed by the Board as the chairman of the Board (the "Chairman") and the chairman of the Executive Committee on 23 August 2019. Mr. Fan has been re-designated from the chief operating officer to the chief executive officer of the Company with effect from 30 September 2019.

Mr. Pi Minjie ("Mr. Pi") has been appointed as an executive Director and a member of the Executive Committee with effect from 30 September 2019. Mr. Pi was promoted as deputy general manager of the Company with effect from 30 September 2019.

Mr. Wang Xin ("Mr. Wang") has been appointed as a non-executive Director with effect from 23 August 2019.

Mr. Pan Gongcheng ("Mr. Pan") was appointed as the Chairman, an executive Director and the chairman of the Executive Committee with effect from 5 June 2019. Mr Pan resigned from the position of the Chairman and the chairman of the Executive Committee with effect from 23 August 2019. Mr. Pan resigned from the position of executive Director and a member of the Executive Committee with effect from 30 September 2019.

Mr. Hung Ka Hai Clement, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) with effect from 13 December 2019, he was appointed as an independent non-executive director of Tibet Water Resources Ltd (stock code: 1115) with effect from 31 December 2019 and he was also appointed as an independent non-executive director of Skyworth Group Limited (stock code: 751) with effect from 18 March 2020.

Mr. Liew Fui Kiang, an independent non-executive Director of the Company, was appointed as an independent non-executive director of China Apex Group Limited (stock code: 2011) with effect from 19 November 2019, and he was appointed as a non-executive director of China Cloud Copper Company Limited (stock code: 33) with effect from 18 December 2019 and resigned from the position with effect from 19 December 2019.

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

Report of the Directors

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

On 20 March 2018, Top Bright Properties Limited ("Top Bright") , an indirect wholly-owned subsidiary of the Company, entered into an agreement with a bank (the "Bank") for a term loan facility in the principal amount of HK$570.0 million. On 15 June 2018, Top Bright entered into a supplemental agreement with the Bank for a term loan facility in the principal amount of HK$212.0 million.

On 15 June 2018, each of Smart Land Properties Limited ("Smart Land") and Pioneer Delight Limited ("Pioneer Delight"), both being indirect wholly-owned subsidiaries of the Company, entered into an agreement with the Bank for a term loan facility in the principal amount of HK$50.0 million and HK$25.0 million respectively.

On 16 May 2019, the Company entered into an agreement with the Security Agent for a term loan facility in the principal amount of up to HK$150.0 million.

On 6 August 2019, each of Top Bright, Smart Land and Pioneer Delight entered into their respective facility agreements with the Bank for term loan facilities in the aggregate principal amount of HK$270.0 million.

Pursuant to the terms of the aforesaid loan agreements, it will constitute an event of default if Mr. Chen Lijun and Mr. Chen Jianming fail to collectively maintain not less than 55% beneficial shareholding in the Company or maintain control over the management and business of the Group.

As disclosed in page 3 of this annual report, subsequent to the Enforcement Action, the Company has been in active liaison with the Bank in order to, among other things, seek the consent from the Bank to the possible change of control that may be resulted from the Enforcement Action. On 5 November 2019, the Bank has confirmed that the event of default has been waived.

DIRECTORS' SERVICE CONTRACTS

Upon the appointments of two executive Directors with effect from 12 January 2018, Mr. Fan and Mr. Sun Meng have entered into their respective service contracts with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive).

Upon the appointments of three independent non-executive Directors with effect from 12 January 2018, each of Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat has also entered into their respective appointment letters with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive).

Upon the appointment of Ms. Li Guang as an executive director with effect from 23 October 2018, Ms. Li Guang has entered into a service contract with the Company for an initial term of three years from 23 October 2018 to 22 October 2021 (both dates inclusive).

Upon the appointment of Mr. Pi Minjie as an executive director with effect from 30 September 2019, Mr. Pi Minjie has entered into a service contract with the Company for an initial term of three years from 30 September 2019 to 29 September 2022 (both dates inclusive).

Upon the appointment of Mr. Wang Xin as a non-executive director with effect from 23 August 2019, Mr. Wang Xin has entered into a service contract with the Company for an initial term of three years from 23 August 2019 to 22 August 2022 (both dates inclusive).

No Director who are proposed for re-election at the forthcoming AGM 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' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected transaction and continuing connected transactions" set out on pages 25 to 26 of this annual report, no transactions, arrangements or contracts of significance, in relation to the Group's business to which the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of The Company or any of its Associated Corporations" on page 21 of this annual report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares, or underlying shares in, or debenture of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There was no competing business in which a Director had an interest which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

In relation to the Group's business, the percentages of group's total revenue for the Reporting Period attributable to the largest customer and the five largest customers in aggregate were approximately 6.3% and 27.6% respectively.

The percentages of group's total purchases for the Reporting Period attributable to the largest supplier and the five largest suppliers in aggregate were approximately 21.2% and 28.0% respectively.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interests in any major customers or suppliers noted above.

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

As at 31 December 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 31 December 2019, Shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange were as follows:

		As at 31 December 2019 (1)	
Name of substantial shareholder	Capacity and nature of interest	Number of ordinary shares and underlying shares interested L-(long position)/ S-(short position)	Approximate percentage of issued share capital of the Company (Note 1)
Security Agent	Beneficial owner (2)	L – 857,301,457(2)	76.20%
China Cinda (HK) Holdings Company Limited (3)	Interest of controlled corporation	L – 857,301,457(2)	76.20%
China Cinda Asset Management Co., Ltd. (3)	Interest of controlled corporation	L – 857,301,457(2)	76.20%
Sansheng Hongye	Beneficial owner	L – 857,301,457(4) S – 857,301,457(4)	76.20% 76.20%
Shanghai Sansheng (5)	Interest of controlled corporation	L – 857,301,457(4) S – 857,301,457(4)	76.20% 76.20%
上海三盛房地產(集團)有限責任公司 (Shanghai Sansheng Real Estate (Group) Company Limited*) ("Sansheng Real Estate") (5)	Interest of controlled corporation	L – 857,301,457(4) S – 857,301,457(4)	76.20% 76.20%
Chen Jianming (5)	Interest of controlled corporation	L – 857,301,457(4) S – 857,301,457(4)	76.20% 76.20%
Chen Yanhong (5)	Interest of spouse	L – 857,301,457(4) S – 857,301,457(4)	76.20% 76.20%
DCP China Credit Fund I, L.P. (6)	Interest of controlled corporation	L – 843,585,747(6)	74.98%
Dignari Capital Partners GP Limited (6)	Interest of controlled corporation	L – 843,585,747(6)	74.98%
Tan Mei Zie Grace (6)	Interest of controlled corporation	L – 843,585,747(6)	74.98%

Notes:

(1) Based on 1,125,027,072 shares of the Company ("Shares") in issue as at 31 December 2019.

(2) As disclosed in page 3 of this annual report and the announcement of the Company dated 24 October 2019, the Security Agent has taken the Enforcement Action on 18 October 2019 over the Charged Shares and it is alleged in the Offer Announcement that the beneficial ownership of all of the Charged Shares is now vested with the Security Agent. As at 31 December 2019, the Security Agent was interested in the Charged Shares as notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and, pursuant to Section 336 of the SFO, recorded in the register maintained by the Company referred to therein. The Company was notified that the Security Agent had a long position over the Charged Shares and a convertible note in the principal amount of HK$11,000,000 which is convertible into 13,715,710 Shares based on the prevailing conversion price of HK$0.802 per Share (the "Charged CN").

(3) The Company was notified that China Cinda (HK) Holdings Company Limited ("Cinda HK") controlled 100% of the voting power of the Security Agent, and China Cinda Asset Management Co., Ltd. ("Cinda Asset Management") controlled 100% of the voting power of Cinda HK. Accordingly, both Cinda HK and Cinda Asset Management were deemed to be interested in the Charged Shares and underlying Shares in which the Security Agent was interested.

(4) The Company was notified that the nature of Charged Shares and Charged CN held by Sansheng Hongye was changed on 21 October 2019 due to the Enforcement Action by the Security Agent, as at 31 December 2019, Sansheng Hongye had a long position and short position on 857,301,457 underlying Shares.

(5) Shanghai Sansheng controlled 100% of the voting power of Sansheng Hongye, Mr. Chen Jianming controlled approximately 81.58% of the voting power of Shanghai Sansheng (comprising approximately 41.45% direct interests in Shanghai Sansheng and approximately 40.13% indirect interests in Shanghai Sansheng controlled through Sansheng Real Estate (Sansheng Real Estate controls approximately 40.13% of the equity interest in Shanghai Sansheng)). Accordingly, Sansheng Real Estate, Shanghai Sansheng and Mr. Chen Jianming were deemed to be interested in shares and underlying shares of the Company held by Sansheng Hongye. Ms. Chen Yanhong, as the spouse of Mr. Chen Jianming, was deemed to be interested in the shares and underlying shares of the Company in which Mr. Chen Jianming was interested.

(6) Dragons 616 Limited was 100% controlled by DCP China Credit Fund I, L. P., which was in turn controlled by Dignari Capital Partners GP Limited, and Tan Mei Zie Grace controlled 99% of Dignari Capital Partners GP Limited. Accordingly, each of DCP China Credit Fund I, L.P., Dignari Capital Partners GP Limited and Tan Mei Zie Grace was deemed to be interested in 843,585,747 Shares and/or underlying Shares (as security interest) directly interested by Dragons 616 Limited, among which there are interests in 34,139,680 underlying Shares pursuant to physically settled unlisted derivatives.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

Report of the Directors

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 32 to the consolidated financial statements.

As at 31 December 2019, there was no outstanding share option under the share option scheme.

Apart from the foregoing, at no time during the Reporting Period 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 benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INDEMNITIES

In accordance with the bye-law 166(1) of the Company's bye-laws, every director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur 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 provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

Such permitted indemnity provisions have been in force throughout the Reporting Period and is currently in force at the time of approval of this report.

Accordingly, the Company has arranged Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could affect the Group's business model, future performance and solvency which are considered by the Board on a regular basis. The Board, through audit committee of the Company ("Audit Committee") by establishing and maintaining the Group's internal control system and risk management process to monitor significant risks in order to achieve the Group's strategic objectives and missions. Additional information on the Group's risk management and internal control is set out in the Corporate Governance Report. The key major risks affecting the Group's business are as follows:

Economic and Financial Risk

The Group's major assets are investment properties located in Hong Kong which contributed to the Group's revenue and results of operations, accordingly, they are exposed to the risk of uncertain and/or negative performance of Hong Kong economy, financial and property markets, either directly or indirectly through restrictions in the availability of credit from the Group's bankers and the Group's investment properties – tenants in terms of reduction in rental income and occupancy. Such adverse impact in effect might reduce the Group's rental revenue, increase the finance cost and decrease the fair value of the Group's investment properties and hence the net asset values of the Group. The Group has entered into property development business during the Reporting Period to diversify the economic risk.

Beside the outlook of the Hong Kong's economy, prospect on the Group's businesses also rely on the performance of the property market in the PRC. The property market in the PRC is affected by a number of factors, including changes in social, political, economic and legal environment, and the government's policies. The Group is also susceptible to changes in economic conditions, consumer confidence, consumption spending, and changes in consumption preferences. Therefore, the Group will continue to develop and expand into different regional markets to reduce its dependence on specific markets.

Report of the Directors

All of the Group's bank borrowings secured by the investment properties in Hong Kong are subject to floating interest rates based on HIBOR plus a fixed margin while the Group's other borrowings are subject to fixed interest rates ranging from 8% to 23% per annum. The Group will closely monitor and manage its exposure to the interest rate fluctuations and will consider engaging hedging instruments as and when appropriate.

The Group's property development business is mainly denominated in RMB. During the Reporting Period, an unrealised exchange loss on translating foreign operations of approximately HK$18.2 million was charged as other comprehensive loss, which was arisen mainly from the translation of operations in the PRC due to the depreciation of RMB. Though no hedging instruments have been engaged, the Group will closely monitor its foreign exchange risk exposure.

Regulatory Risk

The Group is subject to the introduction of new laws, policies or regulations, changes in the interpretation or application of new laws, policies and regulations applicable to the Group.

During the Reporting Period, as far as the Company is aware, there was no material breach or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing rules throughout the Reporting Period.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group had the following connected transactions and continuing connected transactions under the Listing Rules:

Major and connected transaction – the Zhenjiang Acquisition

As disclosed in the announcement of the Company dated 9 December 2018, the Circular I and pages 8 to 9 of this annual report, the Group completed the Zhenjiang Acquisition on 1 March 2019.

Major and connected transaction – the Jinhua Acquisition

As disclosed in the announcements of the Company dated 4 February 2019, 22 February 2019 and 7 March 2019, the Circular II, and pages 9 to 10 of this annual report, the Group completed the Jinhua Acquisition on 2 April 2019.

Discloseable and connected transaction – the Hotel Acquisition

As disclosed in the announcement of the Company dated 8 August 2019, 31 December 2019 and 14 January 2020, the Circular III, and page 11 of this annual report, the Group entered into the Agreement with Foshan Sansheng for the acquisition of the entire equity interest in Zhoushan Sansheng at the consideration of RMB120.0 million (equivalent to approximately HK$134.4 million) in cash. The latest date for fulfillment of conditions under the Agreement for completion of the Hotel Acquisition is 30 June 2020.

Report of the Directors

Continuing connected transactions in relation to Project Management Master Agreement

On 21 August 2018, Mingzhou Consultancy (an indirect wholly-owned subsidiary of the Company) and Shanghai Sansheng entered into the Project Management Master Agreement, pursuant to which Mingzhou Consultancy and Shanghai Sansheng agreed that members of the Mingzhou Consultancy and its subsidiaries ("Mingzhou Consultancy Group") and members of the Shanghai Sansheng Group may enter into individual project management agreement(s) regarding provision of project management services by the relevant members of Mingzhou Consultancy Group for real estate projects in the PRC owned and developed by the relevant members of the Shanghai Sansheng Group, subject to the terms of the Project Management Master Agreement. The Project Management Master Agreement was approved by independent Shareholders at a special general meeting held on 24 August 2018. For details of the transactions, please refer to the Company's announcement dated 21 August 2018 and the Company's circular dated 13 September 2018.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions contemplated under the Project Management Master Agreement mentioned above and have confirmed that the 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 from independent third parties; and (iii) in accordance with the terms of the Project Management Master Agreement governing such transactions, which are fair and reasonable and in the interests of the Shareholders as a whole.

HLB Hodgson Impey Cheng Limited ("HLB"), the auditors of the Company, was 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 Review 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. For the purpose of Rule 14A.56 of the Listing Rules, HLB has provided a letter to the Board, confirmed that nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with relevant agreements governing the transactions; and (iv) have exceeded the annual cap. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

EVENTS AFTER THE REPORTING PERIOD

Renewal of loan facilities

As disclosed in the announcement of the Company dated 14 February 2020 and the circular of the Company dated 21 April 2020, on 13 February 2020, 上海岳信企業管理咨詢有限公司 (Shanghai Yuexin Enterprise Management Consultancy Co., Ltd.*) ("Shanghai Yuexin"), 鎮江天工頤景園房地產有限公司 (Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.*), ("Zhenjiang Tiangong"), 舟山銘義文化產業投資有限公司 (Zhoushan Mingyi Cultural Assets Investment Co., Ltd*) ("Zhoushan Mingyi"), all being indirect wholly-owned subsidiaries of the Company, and Shanghai Aijian entered into an agreement (the "Renewal Agreement"), pursuant to which Shanghai Aijian agreed to renew the loan facilities granted by Shanghai Aijian to Shanghai Yuexin and Zhenjiang Tiangong (the "Facilities") on the following principal terms:

(i) the availability period of the Facilities and the final maturity date of the loans drawn down from the Facilities by the Group (the "Loans") shall be extended by 12 months to 13 February 2021;

(ii) Shanghai Yuexin and Zhenjiang Tiangong shall settle the interest accrued on the Loans up to 12 February 2020 of approximately RMB10.3 million on the date of the Renewal Agreement and the interest rates of the Facilities shall be revised to 15% per annum with effect from 13 February 2020; and

(iii) Zhoushan Mingyi shall complete the disposal of its entire equity interest in 杭州銘倫實業有限公司 (Hangzhou Minglun Industrial Co., Ltd.*) ("Hangzhou Minglun") on or before 13 May 2020 (the "Possible Disposal"). Hangzhou Minglun is a company wholly-owned by Zhoushan Mingyi and has an interest in Lin'an Land.

Pursuant to the Renewal Agreement, the renewal of the Facilities is subject to, among other things, Shareholders' approval. In the event that the Company fails to obtain the Shareholders' approval for the Possible Disposal or in the event that Zhoushan Mingyi fails to complete the Possible Disposal on or before 13 May 2020, Zhoushan Mingyi shall within ten business days of the failure (whichever is the earlier) charge its entire equity interest in Hangzhou Minglun and its receivables under the shareholder's loan due from Hangzhou Minglun in the amount of approximately RMB23.9 million in favour of Shanghai Aijian as security for the Loans of up to RMB85.0 million.

Mandatory unconditional cash offer

As disclosed in the announcement of the Company dated 6 April 2020, the Company received a notice from Cinda International Capital Limited and Donvex Capital Limited, the joint financial advisers of the Security Agent, that the Security Agent will, via the Offeror, make a mandatory general offer in cash (the "Offer") for all the issued ordinary shares of the Company other than those already owned or agreed to be acquired by the Security Agent and parties acting in concert with it. The details of the terms of the Offer is set out in the announcement dated 3 April 2020 and the offer document dated 29 April 2020 issued by the Offeror.

Disposal of Hangzhou Minglun

As disclosed in the announcement of the Company dated 7 April 2020, Zhoushan Mingyi, being the vendor, Hangzhou Minglun and 東投地產集團有限公司 (Dongtou Property Group Co. Ltd.*) ("Dongtou"), being the purchaser, entered into a conditional sale and purchase agreement (the "Disposal Agreement") on 7 April 2020 in relation to the proposed sale of the 100% equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest (including but not limited to the right to receive repayment of the entire shareholder's loan owed by Hangzhou Minglun to the Group) to be sold by Zhoushan Mingyi to Dongtou. The disposal is subject to, among other things, Shareholders' approval.

AUDITORS

The consolidated financial statements for the Reporting Period were audited by HLB whose term of office will expire upon the forthcoming AGM, and who, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB as auditors of the Company for the subsequent year is to be proposed at the forthcoming AGM.

On behalf of the Board

FAN Xuerui
Chairman and Executive Director

Hong Kong, 29 April 2020

* *for identification purpose only*

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. FAN Xuerui ("Mr. Fan")

Mr. Fan, aged 32, was appointed as an executive Director on 12 January 2018 and he was also appointed as a member of each of the Nomination Committee, the Remuneration Committee and the Executive Committee on 2 February 2018. Mr. Fan was appointed as the chief operating officer of the Company with effect from 1 November 2018 and further appointed by the Board as the Chairman and the Chairman of the Executive Committee on 23 August 2019. Mr. Fan has been re-designated from the chief operating officer of the Company to the chief executive officer of the Company with effect from 30 September 2019. Mr. Fan joined Shanghai Sansheng in 2016 and has held management position in Shanghai Sansheng. Prior to joining Shanghai Sansheng, Mr. Fan worked in the investment banking department of 國信證券股份有限公司 (Guosen Securities Co., Ltd.*, a company listed on the Shenzhen Stock Exchange with stock code: 002736 CH) from 2013 to 2015. Mr. Fan obtained a bachelor's degree in management and a master's degree in accounting from 上海交通大學 (Shanghai Jiao Tong University) in 2010 and 2013 respectively. Mr. Fan also graduated from École Centrale Paris in 2013 with a Master Degree in Engineering of Arts and Manufactures. Mr. Fan has obtained the certificate for passing all the required subjects of the professional stage of The National Uniform CPA Examination of the PRC in 2015. Mr. Fan is the son-in-law of Mr. Chen Jianming. Mr. Fan is responsible for implementation of business plan and supervision of operation of the Group.

Mr. Fan has entered into a service contract with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Mr. Fan has not received any remuneration for acting as an executive Director and his future remunerations would be subject to the review by the Remuneration Committee. Mr. Fan received a monthly salary of HK$75,000 for acting as the chief operating officer of the Company with effect from 1 November 2018 and received a monthly salary of HK$78,000 with effect from 1 September 2019. Mr. Fan has been re-designated from the chief operating officer of the Company to the chief executive officer of the Company and entitled to a monthly salary of HK$98,000 and salary tax payable with effect from 30 September 2019. Mr. Fan is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. PI Minjie ("Mr. Pi")

Mr. Pi, aged 30, has solid experience in the real estate industry, especially in strategic planning. He joined Shanghai Sansheng in 2012 and has served in various departments related to real estate investment and administration. Mr. Pi joined the Group since 2018 and held directorships with a number of wholly-owned subsidiaries of the Company since June 2019. He was promoted as deputy general manager of the Company with effect from 30 September 2019 and is currently entitled to a monthly salary of approximately HK$43,000. He has not held any other directorships in any other listed public companies in Hong Kong or overseas in the last three years preceding the date of this annual report. Mr. Pi obtained a bachelor's degree in structural engineering management from 北京大學 (Peking University) in 2012.

Mr. Pi has entered into a Director's service contract with the Company for his role as an executive Director for an initial term of three years from 30 September 2019 to 29 September 2022 (both dates inclusive). Pursuant to the contract, Mr. Pi will not receive any remuneration (other than the monthly salary disclosed above) upon his appointment and his future remunerations will be subject to review by the Remuneration Committee. Mr. Pi is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. SUN Meng ("Mr. Sun")

Mr. Sun, aged 32, was appointed as an executive Director on 12 January 2018 and he was also appointed as a member of the Executive Committee on 2 February 2018. Mr. Sun obtained a bachelor's degree in business administration from 南開大學 (Nankai University) in 2009 and a master's degree in engineering from 北京大學 (Peking University) in 2012. Mr. Sun is responsible for the supervision of the Group with focus on the financial control of the Group.

Mr. Sun has entered into a service contract with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Mr. Sun has not received any remuneration since his appointment and his future remunerations would be subject to the review by the Remuneration Committee. Mr. Sun is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Directors and Senior Management Profile

Ms. LI Guang ("Ms. Li")

Ms. Li, aged 57, was appointed as an executive Director on 23 October 2018 and she was also appointed as a member of the Executive Committee on 23 October 2018. Ms. Li was a senior economist conferred by 廣東省人事廳 (Guangdong Province Human Resources Department*) in March 2003. Ms. Li was the vice president of 廣東上市公司協會 (The Listed Companies Association of Guangdong*, "GDLA") from 2011 to 2017 and the president of 廣東新三板公司協會 (National Equities Exchange and Quotation Association of Guangdong*, "GANEEQ") from 2015 to 2017. GDLA and GANEEQ are both non-profit associations established for the purpose of promoting corporate governance standard and internal control system of listed companies. Ms. Li obtained a master's degree in economics from Jinan University in 1997. She also obtained a doctoral degree in business administration from Wisconsin International University in 2004 and has previously worked in the securities industry. Ms. Li is responsible for supervision of business operations of the Group.

Ms. Li has entered into a service contract with the Company for an initial term of 3 years from 23 October 2018 to 22 October 2021 (both dates inclusive). Pursuant to the service contract, Ms. Li has not received any remuneration since her appointment and her future remuneration would be subject to the review by the Remuneration Committee. Ms. Li is subject to re-election or retirement by rotation in accordance with the bye-laws of the Company.

Non-Executive Director

Mr. WANG Xin ("Mr. Wang")

Mr. Wang, aged 35, was appointed as a non-executive Director on 23 August 2019. Mr. Wang is a chartered financial analyst. Mr. Wang has obtained a bachelor's degree from Tsinghua University (清華大學) and also obtained a master degree in Business Administration from University of Illinois. Mr. Wang has held management position in a Hong Kong renowned financial institution.

Mr. Wang has entered into a service contract with Company for an initial term of three years from 23 August 2019 to 22 August 2022 (both dates inclusive). Pursuant to the service contract, Mr. Wang will not receive any remuneration upon his appointment and his future remunerations would be subject to the review by the Board based on the recommendation by the Remuneration Committee. Mr. Wang is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Independent Non-Executive Directors

Mr. HUNG Ka Hai Clement ("Mr. Hung")

Mr. Hung, aged 64, was appointed as an independent non-executive Director on 12 January 2018 and he was also appointed as the chairman of the Audit Committee and a member of the Remuneration Committee on 2 February 2018. Mr. Hung has obtained a bachelor of arts degree from the University of Huddersfield, United Kingdom in 1980. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before he took up the chairman role of Deloitte China from 2014 to 2016. He retired from the chairman role of Deloitte China with effect from June 2016.

When Mr. Hung was working with Deloitte China, he had assumed various leadership roles, including the managing partner of Deloitte Shenzhen office and Guangzhou office. He was also a member of the China management team of Deloitte China. Mr. Hung had also assumed the role of the southern audit leader and the deputy managing partner of the southern region of China (including Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global.

Mr. Hung served as the Guangzhou Institute of Certified Public Accountants consultant from 2004 to 2014. During the period between 2006 to 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. After his retirement as the chairman of Deloitte China, he was appointed as an expert consultant of the Ministry of Finance in the PRC. Mr. Hung is a life member of the Institute of Chartered Accountants in England and Wales.

Directors and Senior Management Profile

Mr. Hung has, in the past three years, served or is serving as a director of each of the following listed companies whose shares are listed on the Stock Exchange:

- an independent non-executive director of Gome Finance Technology Company Limited (formerly known as Sino Credit Holdings Limited) (stock code: 628) since 31 October 2016;

- an independent non-executive director of Sheng Ye Capital Limited (stock code: 8469, the listing of the shares of which has been transferred to the Main Board (stock code: 6069) from the GEM of the Stock Exchange from 24 October 2019) since 19 June 2017;

- a non-executive director of High Fashion International Limited (stock code: 608) since 1 December 2017;

- an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code: 3662) since 22 February 2019;

- an independent non-executive director of China East Education Holdings Limited (stock code: 667) since 12 June 2019;

- an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) since 13 December 2019;

- an independent non-executive director of Tibet Water Resources Limited (stock code: 1115) since 31 December 2019;

- an independent non-executive director of Skyworth Group Limited (stock code: 751) since 18 March 2020;

- an independent non-executive director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) (stock code: 112) from 24 February 2017 to 3 March 2017 and a non-executive director of the company from 3 March 2017 to 30 June 2017. He was re-designated as an independent non-executive director of the company on 30 June 2017 and subsequently resigned with effect from 30 September 2018; and

- an independent non-executive director of SMI Holdings Group Limited (stock code: 198) from 16 January 2017 to 15 March 2017 and re-designated as a non-executive director of the company on 15 March 2017. He subsequently resigned with effect from 28 February 2019.

Mr. Hung has entered into an appointment letter with the Company for an initial term of three years from 12 January 2018 to 11 January 2021 (both dates inclusive). Pursuant to the appointment letter, Mr. Hung is entitled to receive an annual director's fee of HK$360,000 which was determined by the Board with reference to his background, qualifications, experience, level of responsibilities undertaken with the Company and prevailing market conditions. The director's fee is payable on a time pro-rata basis for any non-full year service. Mr. Hung is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Directors and Senior Management Profile

Mr. LIEW Fui Kiang ("Mr. Liew")

Mr. Liew, aged 53, was appointed as an independent non-executive Director on 12 January 2018 and he was also appointed as the chairman of the Nomination Committee and a member of the Audit Committee on 2 February 2018. Mr. Liew is currently serving as independent non-executive director of the following companies listed on the Stock Exchange: Zhengye International Holdings Company Limited (stock code: 3363) and China Apex Group Limited (stock code: 2011).

Mr. Liew was an independent director of 寶山鋼鐵股份有限公司 (Baoshan Iron & Steel Company Limited*), a Fortune Global 500 company listed on the Shanghai Stock Exchange with stock code: 600019 CH, from 2000 to 2006. He served as the chairman of the board of directors and an executive director of PacRay International Holdings Limited, a company listed on the Stock Exchange with stock code: 1010, from August 2017 to January 2019. He was a non-executive director of China Cloud Cooper Company Limited, a company listed on the Stock Exchange with stock code: 33, in December 2019.

Mr. Liew is a solicitor of England and Wales as well as Hong Kong. He obtained a Bachelor of Laws (Tetley and Lupton scholar) from University of Leeds in the United Kingdom in 1989 and a Master of Business Administration from the Hull University Business School in the United Kingdom in 1996. He is a fellow of the Hong Kong Institute of Directors.

Mr. Liew has entered into an appointment letter with the Company. Pursuant to the appointment letter, Mr. Liew is entitled to receive an annual director's fee of HK$360,000 which was determined by the Board with reference to his background, qualifications, experience, level of responsibilities undertaken with the Company and prevailing market conditions. The director's fee is payable on a time pro-rata basis for any non-full year's service. Mr. Liew is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Mr. WONG Sai Tat ("Mr. Wong")

Mr. Wong, aged 58, was appointed as an independent non-executive Director on 12 January 2018 and he was also appointed as the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee on 2 February 2018. From 2015 to 2018, Mr. Wong acted as the chief operating officer of property division in South China Holdings Company Limited, a company listed on the Stock Exchange with stock code: 413. From 2004 to 2015, Mr. Wong served as the executive vice president and general manager of China operations at Eton Properties (China) Limited. Mr. Wong also served Dynamic Holdings Limited (a company listed on the Stock Exchange with stock code: 29) from 1992 to 2015 with his last position as its general manager of China operations and executive director.

Mr. Wong obtained a bachelor's degree in business administration and a master's degree in business administration from 香港中文大學 (Chinese University of Hong Kong) in 1985 and 1988 respectively. Mr. Wong also obtained a postgraduate certificate in project management from 同濟大學建設監理研究所 (Research Institute of Project Administration and Management of Tongji University) in 1997. Mr. Wong was admitted as a fellow of the Association of Chartered Certified Accountants in 1995 and as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in 1990. He was also admitted as an ordinary member of the Hong Kong Securities and Investment Institute in 2018.

Mr. Wong has entered into an appointment letter with the Company. Pursuant to the appointment letter, Mr. Wong is entitled to receive an annual director's fee of HK$360,000 which was determined by the Board with reference to his background, qualifications, experience, level of responsibilities undertaken with the Company and prevailing market conditions. The director's fee is payable on a time pro-rata basis for any non-full year's service. Mr. Wong is subject to re-election or retirement by rotation pursuant to the bye-laws of the Company.

Directors and Senior Management Profile

SENIOR MANAGEMENT

Mr. SUEN Kin Wai ("Mr. Suen") (Aged 35)

Mr. Suen joined the Group as the assistant financial controller in June 2019 and has been promoted and appointed as the chief financial officer of the Company with effect from 30 September 2019 and as the company secretary of the Company, authorised representative of the Company under rule 3.05 of the Listing Rules and the person authorised to accept service of process and notices on behalf of the Company in Hong Kong under rule 19.05(2) of the Listing Rules with effect from 24 December 2019. Mr. Suen obtained a Bachelor's Degree of Business Administration in Accounting and Finance from the University of Hong Kong in 2006. Mr. Suen is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Suen had worked for several audit firms and held management position in several listed companies in Hong Kong.

Mr. WONG Cheuk Kit, Joe ("Mr. Joe Wong") (Aged 46)

Mr. Joe Wong joined the Group with effect from 8 July 2013 and is currently the Group's property manager. Prior to joining the Company, Mr. Joe Wong worked for a number of international property firms and celebrated property developers and has over 15 years of extensive experience in project management and property management.

Mr. XIE Jinguo ("Mr. Xie") (Aged 50)

Mr. Xie was appointed as the general manager of property development business of the Group with effect from 1 November 2019. Mr. Xie graduated from Tongji University with a bachelor degree in civil engineering and a master degree in construction and civil engineering. Mr. Xie is a qualified senior engineer, cost engineer and consultant engineer in the PRC. Mr. Xie has extensive experience in property project management.

Ms. GAO Yunxiu ("Ms. Gao") (Aged 32)

Ms. Gao joined the Group as the general manager of Human Resources and administrative department with effect from 1 January 2020. Ms. Gao graduated from Anhui University of Science and Technology with a bachelor degree in human resources management. Ms. Gao has extensive experience in human resources and administration.

Mr. ZHOU Bo ("Mr. Zhou") (Aged 36)

Mr. Zhou was appointed as general manager of Zhenjiang Tiangong with effect from 31 May 2018. Mr. Zhou graduated from Nanjing Tech University with a bachelor degree in engineering management and is a qualified engineer in the PRC. Mr. Zhou has extensive experience in property project management.

Corporate Governance Report

The Company is committed to good corporate governance practices in order to safeguard the interests of the Shareholders. This is essential to the success of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has adopted a corporate governance code prepared based on the code provisions (the “Code Provisions”) of the latest revised code on corporate governance and relevant amendments effective from 1 January 2019 (the “CG Code”) as set out in Appendix 14 to the Listing Rules from time to time as the guidelines for corporate governance of the Company, and has complied with the CG Code throughout the Reporting Period save for the following deviations:

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

During the Reporting Period:

From 1 January 2019 to 4 June 2019

Mr. Wang Junyong was the Chairman, while the duties and responsibilities of the chief executive officer were taken up by the Executive Committee, which comprised Mr. Wang Junyong (chairman), Mr. Fan, Mr. Sun and Ms. Li, all being the executive Directors during the said period.

From 5 June 2019 to 22 August 2019

Mr. Wang Junyong resigned as the Chairman, an executive Director and the chairman of the Executive Committee with effect from 5 June 2019, and Mr. Pan was appointed as the Chairman, an executive Director and the chairman of the Executive Committee with effect from 5 June 2019, while the duties and responsibilities of the chief executive officer were taken up by the Executive Committee, which comprised Mr. Pan (chairman), Mr. Fan, Mr. Sun and Ms. Li, all being the executive Directors during the said period.

From 23 August 2019 to 29 September 2019

Mr. Pan resigned as the Chairman and the chairman of the Executive Committee with effect from 23 August 2019, and Mr. Fan was appointed as the Chairman and the chairman of the Executive Committee with effect from 23 August 2019, while the duties and responsibilities of the chief executive officer were taken up by the Executive Committee, which comprised Mr. Fan (chairman), Mr. Pan, Mr. Sun and Ms. Li, all being the executive Directors during the said period.

Corporate Governance Report

From 30 September 2019 onwards

Mr. Fan was re-designated from chief operating officer as the chief executive officer of the Company with effect from 30 September 2019.

Accordingly, Mr. Fan served as both the Chairman and the chief executive officer of the Company from 30 September 2019 onwards, which practice deviates from the Code Provision A.2.1, the Board believe that with the support of the management, vesting the roles of both Chairman and the chief executive officer of the Company in Mr. Fan can facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Further, the Board considered that the current structure will not impair the balance of power and authority between the Board and the management of the Group as the Board, which comprises experienced and high calibre individuals who met regularly to discuss issues pertaining to the operations of the Company, assumes collective responsibility on the decision making process of the Company's business strategies and operation.

Code Provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend the general meetings of the Company.

Mr. Wang did not attend one special general meeting of the Company held on 18 September 2019 due to other business engagement.

ROLES AND RESPONSIBILITIES OF THE BOARD AND DELEGATED FUNCTIONS OF THE MANAGEMENT

The Board is responsible for the leadership and overall control of the Company, oversees the Group's business, formulates strategic plans and monitors financial and operational performances, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board delegates its full powers and authorities to the Executive Committee to do all such things, acts and deeds, to approve and enter into any agreement or document or transaction on behalf of the Company and to approve, execute and authorise the issue, publication or despatch of all such documents as the Executive Committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company (subject to any regulations, resolutions and/or restrictions that may be imposed upon the Executive Committee by the Board from time to time), except for matters as set out in paragraphs 6.1 to 6.13 of the terms of reference of the Executive Committee ("Board Reserved Matters"). The Board Reserved Matters include, without limitation, the following:

(i) matters involving a conflict of interest for a substantial shareholder and/or a Director;

(ii) declaration or recommendation of dividend or payment of other distributions;

(iii) approving any proposed change in the capital structure;

(iv) approving any decision to change the general character or nature of the business of the Company;

(v) proposal to the Shareholders of the Company to put the Company into liquidation;

(vi) approving any transaction under Chapter 14 and/or Chapter 14A of the Listing Rules; and

(vii) approving any announcement under Chapter 13 of the Listing Rules.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established. During the Reporting Period, the Company's financial adviser and legal adviser both were engaged to advise the Board who is responsible for performing the corporate governance functions including (i) developing and reviewing the Company's policies, practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and (iv) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

BOARD COMPOSITION

The Board, currently comprises eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The Company has three independent non-executive Directors, representing more than one-third of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 28 to 31 of this annual report. There is no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.

The changes in the composition of the Board during the period and up to the date of this report are as follows:

(1) Mr. Lai Hing Kwok has resigned as an executive Director with effect from 22 May 2019;

(2) Mr. Wang Junyong has resigned as the Chairman and an executive Director with effect from 5 June 2019;

(3) Mr. Pan has been appointed as the Chairman and an executive Director with effect from 5 June 2019; and has resigned as the Chairman with effect from 23 August 2019 and as an executive Director with effect from 30 September 2019;

(4) Mr. Fan has been appointed as the Chairman with effect from 23 August 2019;

(5) Mr. Wang has been appointed as a non-executive Director with effect from 23 August 2019;

(6) Mr. Pi has been appointed as an executive Director with effect from 30 September 2019; and

(7) Mr. Fan was appointed as the chief executive officer of the Company with effect from 30 September 2019.

Corporate Governance Report

THE BOARD

Number of meetings attended/eligible to attend

The Board held 4 regular meetings and 15 additional meetings during the Reporting Period.

The attendance of individual Directors at the Board meetings and the general meetings held for the Reporting Period are as follows:

Name of Directors	Regular Board meetings	Additional Board meetings[(2)]	General meetings
Executive Directors			
Mr. Fan Xuerui *(Chairman and Chief Executive Officer)*	4/4	15/15[(5)]	4/4
Mr. Sun Meng	4/4	4/15	0/4
Ms. Li Guang	4/4	13/15	2/4
Mr. Lai Hing Kwok[(3)]	2/2	2/4	0/2
Mr. Wang Junyong [(1)]	3/3	3/4	0/3
Mr. Pan Gongcheng[(4)]	1/1	6/7	0/1
Mr. Pi Minjie[(6)]	N/A	4/4	N/A
Non-executive Director			
Mr. Wang Xin[(7)]	N/A	5/6[(5)]	0/1
Independent non-executive Directors			
Mr. Hung Ka Hai Clement	4/4	13/15[(5)]	4/4
Mr. Liew Fui Kiang	4/4	13/15[(5)]	4/4
Mr. Wong Sai Tat	4/4	13/15[(5)]	4/4

Notes:

(1) Resigned on 5 June 2019.

(2) Additional Board meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention.

(3) Resigned on 22 May 2019.

(4) Appointment effective from 5 June 2019 and resigned on 30 September 2019.

(5) In addition, the Chairman held a meeting with the independent non-executive Directors without the presence of other executive Directors during the Reporting Period.

(6) Appointment effective from 30 September 2019.

(7) Appointment effective from 23 August 2019.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Fan was appointed as an executive Director with effect from 12 January 2018, and was appointed as the Chairman and the chairman of the Executive Committee with effect from 23 August 2019, while the duties and responsibilities of the chief executive officer were taken up by the Executive Committee, which comprised Mr. Fan (chairman), Mr. Pan, Mr. Sun and Ms. Li, all being the executive Directors during 23 August 2019 to 29 September 2019. Mr. Fan was then re-designated from the chief operating officer to the chief executive officer of the Company with effect from 30 September 2019.

Accordingly Mr. Fan serves as both the Chairman and the chief executive officer of the Company from 30 September 2019 onwards, which practice deviates from the code provision A.2.1, the Board believe that with the support of the management, vesting the roles of both Chairman and the chief executive officer of the Company in Mr. Fan can facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Further, the Board considered that the current structure will not impair the balance of power and authority between the Board and the management of the Group as the Board, which comprises experienced and high calibre individuals who met regularly to discuss issues pertaining to the operations of the Company, assumes collective responsibility on the decision making process of the Company's business strategies and operation.

BOARD PROCEEDINGS

The company secretary of the Company ("Company Secretary") assists the Chairman in establishing the meeting agenda and each Director may request inclusion of items in the agenda. A notice of at least 14 days is given to all Directors for all regular Board meetings. Relevant information is circulated to all Directors normally three days in advance of the Board meetings.

With the assistance of the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising from Board meetings and that they receive adequate information in a timely manner in order to assist them to make informed decisions and discharge their duties as Directors. Upon reasonable request, the Directors and Board Committees will have access to independent professional advice in appropriate circumstances at the Company's expense in carrying out their duties.

According to the current Board practice, if a substantial Shareholder or a Director has any conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The bye-laws of the Company also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting on any Board resolution and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his close associates has a material interest.

Meeting minutes of the Board and Board Committees are recorded in appropriate details and draft minutes are circulated to the respective Board members for comments before being approved by the Board and Board committees. All minutes are kept by the Company Secretary and are open for inspection by the Directors on reasonable notice.

Bye-law 166(1) of the bye-laws of the Company provides that, among the others, every director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur 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 and related matters provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

Accordingly, the Company has arranged Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

Corporate Governance Report

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The code provision A.4.2 of the CG Code requires every Director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation at each AGM. The code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

In the AGM of the Company held on 24 May 2019, each of Mr. Wang Junyong and Mr. Sun as executive director retired from office by rotation pursuant to the bye-laws of the Company and in accordance with CG Code and were re-elected as executive Directors, while Mr. Hung, Mr. Liew and Mr. Wong retired from office by rotation and were re-elected as independent non-executive Directors.

All independent non-executive Directors have been appointed for a specific term and accordingly the Company has been in compliance with the code provision A.4.1.

During the Reporting Period, Mr. Pan Gongcheng was appointed as an executive Director by the Board with effect from 5 June 2019 and Mr. Wang Xin was appointed as a non-executive Director by the Board pursuant to the bye-laws with effect from 23 August 2019. Both of them were re-elected at the special general meeting held on 18 September 2019.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual written confirmations of independence from all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules.

RESPONSIBILITIES OF DIRECTORS

The Directors acknowledged their responsibility for preparing the financial statements of the Group for the Reporting Period. Every Director is required to keep abreast of his/her responsibilities as a Director and of the conduct, business activities and development of the Group. On appointment, new Directors will receive a comprehensive, formal induction on the Group's business and his/her responsibilities as a Director.

All Directors are also encouraged to attend training courses relevant to changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates at the Company's expenses.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

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

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each of the Directors newly appointed during the Reporting Period have received induction on the first occasion of his appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Under the code provision A.6.5 of the CG Code, all Directors should participate in continuous development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments to the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuous briefing and seminars on professional development for the Directors are arranged where necessary. During the Reporting Period, regulatory updates and relevant materials on amendment to Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The training each Director received during the Reporting Period is summarised as below:

Name of Directors	Seminars on regulations and updates	Reading materials relating to regulatory update and corporate governance matters
Executive Directors		
Mr. Fan Xuerui	√	√
Mr. Pi Minjie	√	√
Mr. Sun Meng	√	√
Ms. Li Guang	√	√
Mr. Pan Gongcheng	√	√
Mr. Wang Junyong	√	√
Mr. Lai Hing Kwok	√	√
Non-Executive Director		
Mr. Wang Xin	√	√
Independent non-executive Directors		
Mr. Hung Ka Hai Clement	√	√
Mr. Liew Fui Kiang	√	√
Mr. Wong Sai Tat	√	√

Corporate Governance Report

BOARD COMMITTEES

The Board currently has established four committees, being the Remuneration Committee, the Audit Committee, the Nomination Committee and the Executive Committees (collectively the "Board Committees"), for overseeing particular aspects of the affairs of the Group. All Board Committees have been established with specific terms of reference, which are available on the Company's website at http://www.zhongchangintl.hk. All the Board Committees should report to the Board on their decisions or recommendations made.

All Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. The duties and work done by the foregoing Board Committees for the Reporting Period are detailed below.

Remuneration Committee

The Remuneration Committee was established on 20 May 2005 and is governed by its terms of reference. The terms of reference have been posted on Company's website at http://www.zhongchangintl.hk. The Remuneration Committee comprised the following members: (i) Mr. Wong Sai Tat, the Chairman of the Remuneration Committee and an independent non-executive Director; (ii) Mr. Hung Kai Hai Clement, an independent non-executive Director; and (iii) Mr. Fan Xuerui, an executive Director.

The Remuneration Committee assists the Board to (i) develop and administer fair and transparent procedures for setting policies on the remuneration; (ii) to assess the performance; (iii) with delegated responsibility to determine the remuneration packages; and (iv) make recommendations to the Board on the remuneration of all Directors and senior management of the Company. It is also responsible for the administration of the share option scheme adopted by the Company, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, the compensation payable to executive Directors and senior management in connection with any loss or termination of their office, their dismissal, removal or appointment; and advising Shareholders on how to vote with respect to any service contracts of Directors that requires Shareholders' approval under the Listing Rules.

During the Reporting Period, the Remuneration Committee reviewed and made recommendations to the Board on:

(i) the service contract of Mr. Pan as the Chairman and an executive Director

(ii) the appointment of Mr. Fan as the Chief Executive Officer of the Company; and the service contract of Mr. Wang as a non-executive Director

(iii) the appointment of Mr. Fan as the Chairman; and the service contract of Mr. Pi as an executive Director

Details of Directors' emoluments on named basis for the Reporting Period are set out in note 11 to the consolidated financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of the senior management by bands for the Reporting Period is set out below:

Remuneration bands	No. of senior management
HK$0–HK$300,000	1
HK$300,001–HK$500,000	2
HK$500,001–HK$1,000,000	1
	4

The Remuneration Committee held 3 meetings during the Reporting Period and the record of attendance of its members is as follows:

Name of member of the Remuneration Committee	Attendance/Number of meeting(s)
Mr. Wong Sai Tat *(Chairman of Remuneration Committee)*	3/3
Mr. Hung Kai Hai Clement	3/3
Mr. Fan Xuerui	1/3

Audit Committee

The Audit Committee was established on 20 May 2005 and is governed by its terms of reference which has been last updated on 31 December 2018 and previously updated on 25 March 2009, 19 March 2012 and 4 December 2015 are available on the Company's website at http://www.zhongchangintl.hk.

The Audit Committee meets at least twice a year to review the Company's interim and annual results and the integrity of the Group's financial statements. The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring that an effective and adequate system is in place for internal control and risk management and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee comprised the following members: (i) Mr. Hung Ka Hai Clement, the chairman of the Audit Committee and an independent non-executive Director; (ii) Mr. Liew Fui Kiang, an independent non-executive Director; and (iii) Mr. Wong Sai Tat, an independent non-executive Director.

Each member of the Audit Committee possesses in-depth experience in his own profession. Mr. Hung Ka Hai Clement and Mr. Wong Sai Tat possess appropriate accounting or relevant financial management expertise and meet the requirements of Rule 3.21 of the Listing Rules. During the Reporting Period, the Audit Committee has reviewed and discussed with management on:

(i) the accounting principles and practices adopted by the Group;

(ii) audit, internal control and risk management systems; and

(iii) financial reporting matters, including but not limited to the interim report for the six months ended 30 June 2019 and the consolidated financial statements for the nine months ended 31 December 2018.

The work performed by the Audit Committee during the Reporting Period also included the following matters:

- considering the Company's compliance with statutory and regulatory requirements; developments in accounting standards and the effect on the Company;

- reviewing the effectiveness of the systems of internal control and risk management of the Group;

- reviewing and discussing with management the report of the risk management and internal control systems proposed by Shinewing Risk Services Limited ("Shinewing") as external control consultant to assess the internal control and risk management of the Company during the Reporting Period;

- reviewing and monitoring the independence and objectivity of external auditors and the effectiveness of the audit process;

- discussing with the auditors the nature and scope of the audit and reporting obligations; and

- reviewing the pricing and annual cap of continuing connected transactions.

The Audit Committee held 4 committee meetings during the Reporting Period and the record of attendance of its members is as follows:

Name of member of the Audit Committee	Attendance/Number of meetings
Mr. Hung Kai Hai Clement *(Chairman of Audit Committee)*	4/4
Mr. Liew Fui Kiang	4/4
Mr. Wong Sai Tat	4/4

Nomination Committee

The Nomination Committee was established on 19 March 2012 and is governed by its terms of reference which was revised on 1 September 2013, which are available on the Company's website at http://www.zhongchangintl.hk.

The Nomination Committee comprised the following members: (i) Mr. Liew Fui Kiang, the Chairman of the Nomination Committee and an independent non-executive Director; (ii) Mr. Wong Sai Tat, an independent non-executive Director; and (iii) Mr. Fan Xuerui, an executive Director.

During the Reporting Period, the Nomination Committee has reviewed and made recommendations to the Board on matters set out below:

(i) directors' election and rotation under the Company's bye-laws;

(ii) appointment of Mr. Wang as a non-executive Director;

(iii) appointment of Mr. Pan as an executive Director to fill in the vacancy arising from the resignation of Mr. Wang Junyong;

(iv) change of the Chairman from Mr. Pan to Mr. Fan; and

(v) appointment of Mr. Pi as an executive Director and appointment of Mr. Fan as the chief executive officer of the Company.

The Nomination Committee adopted the following procedures and criteria for nomination of Directors:

In relation to the nomination procedures:

1. When the Board considers it necessary to appoint a new Director, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of Directors. One or more members of the Board will attend the interview.

5. Conduct verification of information provided by the candidate.

6. Make recommendations to the Board on the appointment or re-appointment of Directors.

In relation to the nomination criteria:

1. Common Criteria for all Directors:

   (a) Character and integrity

   (b) The willingness to assume Board fiduciary responsibility

   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organisation, industry experience and familiarity with the products and processes used by the Company

   (e) Significant business or public experience relevant and beneficial to the Board and the Company

   (f) Breadth of knowledge about issues affecting the Company

   (g) Ability to objectively analyse complex business problems and exercise sound business judgment

   (h) Ability and willingness to contribute special competencies to Board activities

   (i) Fit with the Company's culture

2. Criteria applicable to non-executive Directors/independent non-executive Directors:

   (a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and Board Committee meetings

   (b) Accomplishments of the candidate in his/her field

   (c) Outstanding professional and personal reputation

   (d) The candidate's ability to meet the independence criteria for Directors established in the Listing Rules

BOARD DIVERSITY

The Company has adopted a board diversity policy ("Board Diversity Policy") since September 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

Corporate Governance Report

The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Company considers that the current composition of the Board is characterised by diversity in terms of professional background and skills.

The Nomination Committee held 5 committee meetings during the Reporting Period and the record of attendance of its members is as follows:

Name of member of the Nomination Committee	Attendance/Number of meeting(s)
Mr. Liew Fui Kiang *(Chairman of Nomination Committee)*	5/5
Mr. Wang Sai Tat	5/5
Mr. Fan Xuerui	2/5

Executive Committee

To effectively manage the business affairs of the Group, the Executive Committee was established on 2 February 2018 and is governed by its terms of reference. The terms of reference are available on the Company's website at http://www.zhongchangintl.hk. The Executive Committee currently comprises four members all of whom are executive Directors, namely Mr. Fan, Mr. Pi, Mr. Sun and Ms. Li.

Except for the Board Reserved Matters, the Board delegates its full general powers and authorities to the Executive Committee to do all such things, acts and deeds, to approve and enter into any agreement or document or transaction on behalf of the Company and to approve, execute and authorise the issue, publication or despatch of all such documents as the Executive Committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company subject to any regulations, resolutions and/or restrictions that may be imposed by the Board from time to time.

The Executive Committee held 16 committee meetings during the Reporting Period and the record of attendance of its members is as follows:

Name of member of the Executive Committee	Attendance/Number of meeting(s)
Mr. Fan Xuerui *(Chairman of Executive Committee)*	16/16
Mr. Sun Meng	15/16
Ms. Li Guang	5/5
Mr. Pi Minjie (appointed on 30 September 2019)	1/1
Mr. Wang Junyong (resigned on 5 June 2019)	5/5
Mr. Pan Gongcheng (appointed on 5 June 2019 and resigned on 30 September 2019)	9/9

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The consolidated financial statements for the Reporting Period were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming AGM.

The reporting responsibilities of HLB Hodgson Impey Cheng Limited are stated in the Independent Auditors' Report on pages 70 to 76 of the annual report.

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the Reporting Period, the remuneration charged to the Group was HK$1,500,000 for statutory audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The management has overall responsibility to maintain appropriate and effective risk management and internal control systems, and the Board has the responsibility to review and monitor the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective. The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function. The Company has conducted an annual review on whether there is a need for an internal audit department. Given the Group's corporate and operational structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

Regarding the internal control system, the Company has adopted a set of internal control policies and procedures (including but not limited to retaining Jones Lang LaSalle Management Services Limited as property manager of the core investment properties) to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

The Group has engaged an external consultant, Shinewing, to carry out the internal audit function which comprises a review on the risk management and internal control systems of the Group for the Reporting Period. The review covered certain operational procedures and included recommendations for improvement and strengthening of the risk management system and internal control systems of the Group.

A report of the risk management and internal control systems prepared by Shinewing was submitted to the Audit Committee, and to the Board with recommendations from the Audit Committee for approval.

Directors and senior management are responsible for monitoring the performance of business operating units, identifying the operational risk of the Group and reporting to the Audit Committee for any significant risk identified.

External auditors will report on the weakness in the Group's internal control and accounting procedure (if any) which have come to their attention during the course of audit. For the Reporting Period, no critical internal control issues have been identified.

Corporate Governance Report

Each year, the Audit Committee reviews the findings made by the external auditors in respect of issues encountered by them in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report regarding the risks of the Group submitted by the Company's external consultant, Shinewing. The Audit Committee would also review the effectiveness of the internal control and risk management systems of the Group, including financial, operational and compliance, in the key activities of the Company's business, having considered the findings of the external auditors and the internal control report. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues including but not limited to material internal control defects and risks identified. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration. The Board would direct the management to implement the plans as appropriate.

The Board conducts a review of the effectiveness of the Group's risk management and internal control system at least annually. During the Reporting Period, in the Audit Committee meeting and Board meeting held in March 2019, the Directors, through the Audit Committee, have reviewed the effectiveness of the Group's risk management and internal control system which covers review on all material controls including financial, operational and compliance controls and the relevant report, and other duties under the Code for the Reporting Period, so as to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions. The Board considers such systems as effective and adequate.

Regarding the handling and dissemination of inside information, to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures and the preservation of confidential information, certain measures have been taken from time to time, which include:

1. the access of inside information is restricted to a limited number of employees on a need-to-know basis, who are fully aware of their obligations to preserve confidentiality; and

2. the executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

COMPANY SECRETARY

Mr. Suen has been appointed as the Company Secretary following the resignation of Mr. Lee Pui Lam ("Mr. Lee") with effect from 24 December 2019. Mr. Suen is an employee of the Company and confirmed that he has complied with all the qualifications, experience and training requirements as required by the Listing Rules. The said change of the Company Secretary was appointed by the Board at a Board meeting pursuant to the Listing Rules and in the opinion of the Board, Mr. Suen possesses the necessary qualification and experience, and is capable of performing of the functions of the Company Secretary.

Each of Mr. Lee and Mr. Suen has taken no less than 15 hours of the relevant professional training during the Reporting Period. Biographical details of Mr. Suen are set out under the section headed "Directors and Senior Management Profile" on page 32 of this annual report.

INVESTORS' RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board shall maintain an on-going dialogue with Shareholders, investors and other stakeholders of the Company and shall ensure effective and timely dissemination of information to Shareholders and encourage their participation at general meetings of the Company.

The Shareholders' Communication Policy adopted on 19 March 2012 is available on the Company's website at http://www.zhongchangintl.hk. The communication channels of the Company include the AGM, special general meeting, the annual and interim reports, notices, announcements and circulars, the Company's website at http://www.zhongchangintl.hk and meetings with investors and analysts.

The Company's AGM is a valuable forum for the Board to communicate directly with Shareholders. Most Directors actively participates at the AGM and answer questions from Shareholders. The chairman of the Audit Committee, Remuneration Committee and Nomination Committee or in their absence, another member of the respective committees or failing that their respective duly appointed delegate, are also available to answer questions at the AGM. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting of Shareholders to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

During the Reporting Period, the 2019 AGM was held on 24 May 2019. The attendance records of the Directors at the general meeting are set out in the section headed "The Board" of this report.

DIVIDEND POLICY

The Company has adopted the dividend policy (the "Dividend Policy") which has set out the principle and procedures for the payment of dividend to Shareholders to provide stable and sustainable returns to the Shareholders and to share the profits of the Company with the Shareholders. The Board may decide from time to time to declare interim dividends or to recommend the payment of final dividends and special dividends to the Shareholders.

The dividend amount shall be determined at the absolute discretion of the Board taking into account the following factors including but not limited to (1) the Group's financial performance; (2) the liquidity position and capital requirements of the Group; and (3) any other factors that the Board may consider appropriate, if profitable and without affecting the normal operations of the Group.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting.

All resolutions put forward at Shareholders' meeting of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange at http://www.hkexnews.hk and of the Company at http://www.zhongchangintl.hk after each Shareholders' meeting.

Corporate Governance Report

Convening a Special General Meeting by Shareholders

Pursuant to bye-law 58 of the bye-laws of the Company, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the principal place of business of the Company, specifying the shareholding information of the Shareholder(s), his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two months after the deposit of such written requisition. If within twenty-one days of the deposit of such written requisition, the Board fails to proceed to convene such special general meeting, the Shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act"). Pursuant to bye-law 59 of the bye-laws of the Company, the Company shall serve requisite notice of the general meeting, specifying the time, place of meeting and the general nature of the business.

Put Forward Proposals at a General Meeting by Shareholders

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next AGM notice of such resolution; and (b) circulate to Shareholders entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in such proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the requisitionists may consist of several documents in like form, each signed by one or more of the requisitionists; and it must be deposited at the registered office the Company at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its Hong Kong principal office at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, for the attention of the Company Secretary, with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required by the Companies Act shall be deemed to have been properly deposited for the purposes thereof.

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Zhongchang International Holdings Group Limited (hereinafter referred to as the "Company", together with its subsidiaries, the "Group" or "we"), as a property developer and investor, is committed to delivering the best returns to its shareholders, as well as enhancing environmental and social values.

The Group is hereby pleased to present its Environmental, Social and Governance ("ESG") report ("ESG Report") for the Reporting Period. With the ESG Report, it is hoped that stakeholders can have a more comprehensive understanding towards the Group's policies, measures and performances in various environmental and social aspects. As for the information of corporate governance, please refer to the "Corporate Governance Report" on pages 33 to 48 of the annual report.

Scope of the ESG Report

The scope of the ESG Report covers the Group's property leasing, property development and property project management services. The key performance indicators ("KPI") as disclosed in the ESG Report are based on the performance of i) the head office in Hong Kong, ii) our core investment property, namely Jardine Center, iii) the office of 佛山銘舟工程管理諮詢有限公司 (Foshan Mingzhou Construction Management Consultancy Company Limited*) ("Mingzhou Consultancy") in Foshan, the PRC, iv) the office of 鎮江天工頤景園房地產有限公司 (Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.*) in Zhenjiang, the PRC, and v) the office of 金華銘瑞房地產開發有限公司 (Jinhua Mingrui Real Estate Development Co., Ltd.*), which the Group has 48.51% effective interests, in Jinhua, the PRC, after considering their materiality to the operations of the Group. The offices in Zhenjiang and Jinhua are newly included into the scope starting this Reporting Period which may lead to a considerable change in the KPI as compared to those disclosed in the ESG Report of the preceding reporting period.

Reporting Framework

The ESG Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Listing Rules.

Feedbacks and Contact

The Group values your feedback on the ESG Report and on our sustainability performance. Should you have any advice, please feel free to send us your comments to the Group's principal place of business in Hong Kong at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or at info@zhongchangintl.hk.

Environmental, Social and Governance Report

OUR APPROACH TO ESG

ESG Governance

The Group believes that well-established ESG principles and practices will increase investment values and provide long-term returns to stakeholders. In order to ensure the establishment of appropriate and effective ESG risk management measures and internal control systems, the Board is responsible for supervising the Group's ESG strategies and reporting, as well as assessing and determining ESG related risks. To improve the Group's ESG governance, the Board regularly arranges independent assessments and efficiency analysis on the adequacy and effectiveness of the aforementioned system through an internal review function.

Stakeholder Engagement

Sustainability is upheld by the Group as an opportunity to achieve corporate growth, reduce environmental impact and empower the communities where it operates in. The Group appreciates the great importance of sustainability for the stakeholders. During the Reporting Period, the Group has made considerable effort in ensuring that its stakeholders' value is sustained within its business operations.

The Group understands that it is vital to incorporate stakeholders' priorities and concerns into operations in order to attain sustainable development and continuous improvement. Regular engagement activities are conducted with its shareholders and investors, employees, customers, suppliers, and tenants to objectively examine material areas. It also engages with the community, regulatory bodies and media, whenever necessary.

Through engagement, it allows the Board to respond to issues that concern their stakeholder groups by carrying out corresponding measures. To ensure transparency and facilitate communication with internal and external stakeholders, formal and informal engagement channels are employed within the Reporting Period.

Environmental, Social and Governance Report

Stakeholder groups	Material issues concerning stakeholders	Engagement channels
Government and regulators	• Compliance with national policies, law and regulation • Support for local economic growth • Contribution in local employment • Tax payment in full and on time	• Regular reporting • Regular meetings with regulators • Dedicated reports • Examination and inspection
Shareholders and investors	• Returns • Operational compliance • Corporate governance • Rise in company value • Transparency and effective communication	• General meetings • Announcements and circulars • On-site inspection • Email, telephone communication and company website • Annual and interim reports
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operation with integrity	• Customer service centre and hotlines • Meetings with customers • Social media platforms • Customers visits
Environment	• Energy saving and emission reduction • Environmental protection	• ESG reporting
Employees	• Protection of rights • Occupational health • Remunerations and benefits • Career development • Humanity cares	• Meetings with employees • Notice boards • Employee activities • Training and workshop • Orientation session • Performance appraisals
Tenants/licensees[1]	• Performance of contracts	• Business communications • On-site services • Notice boards
Community and the public	• Transparency	• Company website • Announcements and circulars

[1] Tenants refer to the occupier(s) of the premises and/or utilities at Jardine Center.

Environmental, Social and Governance Report

Materiality Assessment

As a result of the opinions and information collected from stakeholders through various channels, the Group has a better understanding on the ESG-related issues concerned by both internal and external stakeholders. Therefore, we are able to identify and prioritise the material issues based on their importance to the Group's businesses and to the stakeholders. We have identified 10 material issues which are discussed in details in the ESG Report.

Aspects	Material issues
Environment	Environmental compliance Energy consumption Use of water resources
Labor Practices	Employment compliance Occupational health and safety Training and education Prevention of child labour and forced labour
Operation Practices	Operational compliance Customer service management Anti-corruption

OPERATING PRACTICES

Effective management of environmental, social and economic performance throughout daily operation is considered as the core value of the Group. The Group displays commitment towards sustainable development by maintaining close relationship with its suppliers and ensuring meticulous standards on its operation and business conduct.

Supply Chain Management

The Group values the partnership with suppliers and aim to collectively promote sustainable development. The Group is devoted to enhancing operation throughout its supply chains by maximising operational efficiency and minimising ESG risks.

In our businesses in both Hong Kong and the PRC, the Group ensures the suitability of suppliers when selecting new suppliers and evaluates the performances of existing suppliers on a regular basis. The selected suppliers must follow relevant laws and regulations on aspects such as labour employment, health and safety and production requirements. We also require suppliers to adopt an open and transparent reporting system to disclose and mitigate possible risks related to their environmental and social performance. When the performance of the suppliers is found to be inconsistent with the Group's policy, the Group would cease the cooperation until such situation is improved.

In Zhenjiang, we implement green procurement that products with fewer environmental impacts are always preferred. We foster sustainability within the office operations in Zhenjiang by sourcing environmentally-friendly and energy efficient materials, such as office furniture and electrical appliances.

In Jardine Center, the Group is committed to maintaining a well-managed supply chain. The Group has commissioned Jones Lang LaSalle Management Services Limited ("JLL") as the building manager, with a standard terms and conditions of purchase order/job order issued which requires contractors/suppliers to fully abide by all relevant laws and regulations and obtain all required approval/license from relevant government departments. The contractors/suppliers are required to strictly follow the environmental guidelines to employ measures that generate minimal environmental and noise pollution in their provision of services. Also, safety management guidelines were issued which require that the contractors/suppliers provide a safe working environment and sufficient training, information and supervision to their employees.

For sourcing suppliers involved in property project management services, Mingzhou Consultancy has developed and implemented the guideline on supply chain management which details a set of stringent procurement and tendering policies to be followed during the selection process. Mingzhou Consultancy conducts on-site inspection and takes into account the business performance, structure, management, service quality and popularity in the market of the potential suppliers before formally selecting them. For current suppliers, site visit is conducted biannually in order to keep track of their ESG and compliance performance. After each visit, an assessment report detailing information regarding cooperation, production, and suppliers' current and future development plans is submitted for a record. Suppliers that fail to meet the Group's requirement will be excluded from future tendering.

Environmental, Social and Governance Report

Service Quality and Customer Health and Safety

Operational excellence is one of the main targets of the Group. The Group achieves responsible operation though the maintenance of quality products and services and the assurance of health and safety of the customers and tenants. The Group has adopted different policies and measures for controlling and improving its service quality and customer health and safety in its property leasing, property project management and property development businesses. Because of the business nature of the Group, we are not involved in any matters related to advertising, product labeling and product recall.

For Jardine Center, we have entrusted JLL as the building manager, who itself is a reputable real estate services firm. In order to secure that Jardine Center does not impose any health and safety threats to its customers, JLL regularly carries out inspection on the lifts and fire services system and equipment. Regarding service quality, the Group always ensures a minimal disruption and impact on the business operation of our tenants thus JLL maintains a steady supply of electricity and water by conducting inspection on the electricity system and pumping and drainage system regularly. Other systems such as air conditioning, lighting and fragrance dispensing system are also under strict control.

For property development business, the Group signs contracts with the construction contractors to ensure the quality of the construction project. In order to ensure the relevant national and industrial quality standards are met, the Group employs other parties for quality control and assessment for the construction projects. A working group will be formed for conducting quality measurement and assessment on a regular basis. When problems are identified, the contractor would be required to carry out remediation or otherwise penalty will be imposed according to the terms of the contract.

For property project management business, the Group cares about the quality that quality control procedures for construction sites, which contain three main guiding steps, have been set:

(1) Quality review and examination

During the preparation stage, a detailed list of contents, including construction plan, procedures, quality of raw materials, quality of on-site workers and quality control parameters, has to be reviewed before approval.

(2) Quality supervision and control

Site supervisory staff are stationed at construction site to oversee the project procedures and carry out inspections to ensure the on-site quality of work.

(3) Verification and audit checks

Daily inspection and random checks on the quantity and quality of construction process have to be conducted before issuing the acknowledgement of receipt. Contractors are obligated to strictly follow the verification and audit process and to ensure the final products meet the quality control requirements.

The Group values the opinions and complaints received from our customers. We continuously manage and track the opinions given by customers in any of the businesses. When complaints related to service quality are received, the staff in charge will handle immediately and the staff from different departments will work together for follow up actions, including independent investigation on the causes of the issues. We aim to minimise the impact on or inconvenience of our customers.

Protection of Privacy and Intellectual Property Right

The Group strives to protect all customers' and employees' information and eliminate unnecessary data security risks by complying with relevant laws and regulations, such as Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong and the Law of the PRC on the Protection of Consumer Rights and Interests.

The Group collects personal information legally, with all the usage of the information being limited by contracts. Data are stored in protected servers under robust information technology controls and security infrastructure. Strict control is also imposed with regard to access to confidential or proprietary information provided by clients, suppliers, employers and employees that authorisation is required for having access to the information. For the property development business in the PRC, all employees are required to sign a non-disclosure agreement as a legal protection of the confidential information of the Group including design plans, marketing plans and operating reports.

The Group also values intellectual property right and hence implemented the intellectual property management system. It requires the Group to obtain proper authorisation and licensing agreement and adheres strictly to the terms of use before any utilisation of intellectual property. In protecting respective intellectual properties, all computers at the head office in Hong Kong are equipped with individual formal license.

Anti-Corruption

The Group operates with the highest standards of business integrity and ethical standards and strives to establish a positive atmosphere of operation with integrity by adopting a number of measures. With proper management and strict control on employees' business conduct, the Group had no reported or prosecuted case of bribery, extortion, fraud or money laundering during the Reporting Period.

In Hong Kong, the Group implements the Employee Code of Conduct which was developed with reference to the Prevention of Bribery Ordinance (Cap.210) and other relevant anti-corruption regulations. The code of conduct requires strict abidance from employees and specifies that, except gifts or favours of a token nature which are considered acceptable, under no other circumstances should employees offer, solicit or accept anything of material value from any parties, unless consent has been given by the Group. The Group has provided effective whistle-blowing channels for reporting on suspected corruption, theft, fraud and embezzlement cases. Besides, the Board strictly follows the Model Code and guarantees that all interested dealings are conducted in compliance with the code.

In the PRC, the Group strictly complies with laws and regulations including the Criminal Law and the Anti-Money Laundering Law of the PRC. We are committed to strengthening its internal management and further preventing disciplinary violations. Convenient reporting channels including report hotline and email are provided and employees are encouraged to adopt telephone, email, letter and other methods to report on any irregularities or violations regarding bribery, extortion, fraud or money laundering. In Mingzhou Consultancy, an anti-money laundering steering committee was set up to supervise, manage, and evaluate reports received from employees regarding money laundering cases.

Environmental, Social and Governance Report

EMPLOYMENT

Recruiting and retaining engaged talents are of the essence to the sustainable growth of the Group. The Group is committed to providing a safe, healthy and productive working environment for its employees, as well as supporting their career development to unleash their greatest potential.

Recruitment and Compensation

The Group's talent acquisition, promotion, compensation and dismissal procedures are governed by the relevant laws and regulations including the Employment Ordinance (Cap. 57) of Hong Kong and the Labour Law of the PRC including the Provisions on the Prohibition of Using Child Labour and the Provisions on the Special Protection for Female Staff and Workers and Juvenile Workers.

During recruitment, submission of legitimate identification, education and work references, and other relevant documents are strictly required from all candidates. It guarantees that all recruits are thoroughly vetted to meet all criteria needed to fulfil relevant job duties and their identify information is verified to prevent child labour. When an employee applied for dismissal, the Group would identify and manage issues related to employee turnover, and might conduct an exit interview to better understand the reasons of leaving. Within the Reporting Period, no cases of child labour were identified by the Group.

The Group offers a competitive compensation package as outlined in the employees' contracts by adhering to the Minimum Wage Ordinance (Cap. 608) of Hong Kong, Mandatory Provident Fund Schemes Ordinance (Cap. 485) of Hong Kong and the Provisions on Minimum Wages of the PRC. To optimise performance, a performance-based reward system is established. The Group conducts annual performance appraisals on employees' individual possession of attributes and job performance and salary is then adjusted annually in accordance with the result of their performance review.

Rights and Benefits

Employees of the Group are fully protected by the Employment Ordinance (Cap. 57) of Hong Kong, the Labour Law of the PRC and the Social Insurance Law of the PRC which endows employees with medical, employment injury, maternal, and social insurance. The job duties and working hours of employees are clearly stated in the employment contract to prevent any forms of forced labour. Within the Reporting Period, no cases of forced labour were identified by the Group.

Besides, we offer paid annual leave, sick leave, maternity and paternity leave, provident fund and allowances, as well as long service payments to all eligible employees. The Group sets the working hours to be at maximum 8 hours per day or 40 hours per week. Overtime work is not encouraged by the Group, but will be compensated at a premium rate depending on the situation.

Anti-discrimination

The Group strives to secure a discrimination-free workplace by complying with the Sex Discrimination Ordinance (Cap. 480) of Hong Kong, the Law of the PRC on the Protection of Women's Rights and Interests and the Law of the PRC on the Protection of Disabled Persons.

The Group has formulated the policy on equal employment opportunities, which indicated that recruitment procedures are observed in an equitable and fair manner, under which potential candidates and current employees are considered for recruitment, internal transfer and promotion regardless of their sex, nationality, marital status, disability and religious belief. To eliminate discrimination at workplace, all employees are entitled to and offered the same benefits and treatment. In Hong Kong, we have also established the Guidelines on Sexual Harassment.

During the Reporting Period, no cases of material non-compliance with relevant labour-related laws and regulations were found. There were also no cases of complaints with regard to workplace discrimination or harassment.

Health and Safety

Ensuring the health and safety of our employees is the Group's priority. The Group stresses the importance of health and safety of our employees in our daily operations by strictly conforming to the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong and the Law of the PRC on the Prevention and Treatment of Occupational Diseases. We have detailed in the Employee's Handbook the guidelines for ensuring occupational health and safety and the procedures to be taken in case of accidents, injuries or fire at work. The Group is also committed to providing a healthy and safe working environment by eliminating all risks of occupational health and safety. During the Reporting Period, there were no work-related injuries and fatalities, thanks to the effort put by the Group in creating an injury-free business environment.

For our property development business in Zhenjiang and Jinhua, the management is responsible for providing and maintaining a safe working environment, and ensuring all information, instruction, and supervision necessary for keeping employees safe from injury and health risks are sufficiently provided. Safety procedures for the recognised dangerous work have been established and all necessary protective equipments are provided to employees. For new employees and employees starting new jobs, we organise general safety orientation to focus on the company safety regulations and emergency procedures. Rescue, fire and evacuation drills are also regularly arranged in order to keep our staff stay alert and prepare for emergency.

Besides, Mingzhou Consultancy has developed specific management measures for ensuring employees' health and safety which include the control on office environment and employees' personal behavior aiming to ensure the safety of the employees and to avoid the occurrence of occupational hazards. Mingzhou Consultancy provides necessary personal protective equipment to employees and carries out regular safety inspection on the potential occupational hazards. To ensure safety at construction sites, Mingzhou Consultancy is alert towards aspects such as noise minimisation, fire prevention, and employees' occupational health. Regulations that were followed during the Reporting Period include:

- Law of the PRC on the Prevention and Treatment of Occupational Diseases
- Law of the PRC on Prevention and Treatment of Infectious Diseases
- Classification of occupational hazards at workplaces – Park 4: Occupational exposure to noise
- Fire Control Law of the PRC
- Fire safety signs – Part 1: Sign
- Standard for Management of Labor Protection Articles of Employers
- Regulations on the Administration of Work Safety of Construction Projects
- Safety in Welding and Cutting
- General Safety Requirements for Machining Facilities
- Measures for Administrative Penalties against Illegal Acts Concerning Work Safety
- Measures for the Supervision and Administration of Employers' Occupational Health Surveillance
- Regulation of Guangdong Province on Work-Related Injury Insurance

The Group also cares about the occupational health and safety of the employees of JLL, which is the building manager of Jardine Centre. We require that all operations carried out by JLL need to be in strict compliance with the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong. An occupational health and safety work procedure guideline is in place for Jardine Center, providing occupational safety principles for potential risks, implementation and monitoring mechanisms, as well as guidelines on handling emergency incidents, such as injury, fire and chemical spills and leakage.

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Training and Development

To attain sustainable business growth, providing training and development programmes to employees are essential. New directors of the Company are required to receive director training specifically designed for them. During the Reporting Period, the directors of the Company were reported to have attended training as required by the Stock Exchange. Besides, employee performance reviews are performed periodically to allow employees to receive feedback on their performance, identify areas for and ways of improvement, as well as agree on training needs, whenever necessary.

In the PRC, all new recruits at executive, administrative and operational level must attend the training programmes on the business operation and overview. The Group has provided training programmes for new employees in the probation period. The programmes are designed according to the level of the employees with training methods including guiding and e-learning.

COMMUNITY

The Group believes that compensating to society and contributing to the common good are at the core of its intrinsic value. In addition to focusing on business development, the Group always strives to contribute to the minority in needs and support the surrounding environment.

The Group actively encourages our employees to participate in voluntary activity and render assistance to the needy. During the Reporting Period, our employees from the office in Zhenjiang have participated in a clothes donation activity. The clothes donated were delivered to the children of the minority in the border of Yunnan, the PRC, as a support of the children's development.

Also, Jardine Center continued to participate in the Charter on External Lighting during the Reporting Period. The Group committed that all the external lighting of Jardine Centre are switched off from 12 a.m. to 7 a.m.. It helps to reduce the number of people that may be affected by the nuisance lighting at night.

The Group possesses location advantage in Hong Kong as centering at the business and tourist hub of Hong Kong Island. Jardine Centre is able to attract a wide scope of customers that include not only locals but tourists. The Group's operation has fostered the prosperity of the city's tourism and retail industry. In the future, the Group will continue to engage with the community and demonstrate our roles as a responsible corporation.

Environmental, Social and Governance Report

ENVIRONMENT

Climate change has become a common topic among businesses in recent years that is likely to pose risks and threats to business operation. For example, more frequent extreme weathers may lead to disruption of daily operation and damage of buildings that could cost more in repair and maintenance. Although the Group's businesses of property leasing, development and project management do not have significant direct impacts on the environment and natural resources, we still recognise the potential indirect impacts our operations might induce. The Group strives to build a greener future through active environmental management.

The Group follows all relevant laws and regulations in our daily operation, including but not limited to Air Pollution Control Ordinance (Cap. 311) of Hong Kong, Waste Disposal Ordinance (Cap. 354) of Hong Kong, Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Atmospheric Pollution, and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes. Efforts have been made to advocate environmental conservation and compliance among employees, on-site workers, tenants and building users via pursuit of environmental measures. During the Reporting Period, the Group did not record any material violations regarding relevant environmental laws and regulations.

Emissions

The operation of the Group does not generate water pollutants because of its business nature. A limited amount of air pollutants are generated from vehicle usage for the daily operation of our offices and the usage of the emergency generator in Jardine Centre. The main emission of the Group is the indirect greenhouse gas ("GHG") emission from electricity consumption, water consumption at the workplace, overseas business travel, and paper waste discarded at landfills.

Also, the tenants in Jardine Center generated a relatively small amount of indoor air emissions which may affect the indoor air quality of Jardine Center. The Group thereby pays utmost attention to enhance the comfort level of the tenants and building users at Jardine Center by working closely with JLL to require all tenants to adhere to the Air Pollution Control Ordinance (Cap. 311) of Hong Kong during their daily operations.

Waste Generation

Non-hazardous waste of the Group mainly includes general domestic waste and waste paper generated from office operation. The Group only produces a small amount of hazardous waste, which are toner cartridges, from the daily operation. Both hazardous and non-hazardous waste are collected and handled by qualified cleaning company.

Resources Usage

To support the Group's businesses and operations, resources are always consumed. Electricity, which is used frequently in offices and Jardine Centre, is the major energy consumed by the Group. Other sources of energy consumption include fuel consumption of vehicles for the operation of our offices and the emergency generator in Jardine Centre. The Group also relies heavily on paper for its business operation. Besides, water is also consumed in offices especially in the toilets. Due to the business nature of the Group, we are not involved in product manufacturing, hence the use of product packaging materials is not involved.

Emissions Reduction and Resources Conservation

The Group believes that energy, water, and other resources saving are significant to reduce GHG emission and reduce waste generation during the operation. Also, the Group aims to reduce the amount of air pollutants generated to protect the environment.

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Air Pollutant Reduction

To reduce air pollutants, we have organised regular checks on the vehicles to increase fuel efficiency, maintain good engine and tires condition so as to reduce the pollutant generation. Drivers are also required to switch off the engine when the vehicle is idle in order to avoid energy wastage and unnecessary emission of pollutants. For the property development and project management business in the PRC, guidelines to prevent dust and air pollution were also established for construction sites, such as using sprinkler system to reduce suspended dust and particles and covering building materials that are easily suspended.

Energy Conservation and GHG Reduction

The Group has adopted a number of measures for maximising energy efficiency and preventing wastage. For instance, the Group encourages all employees to switch off unnecessary light and air-conditioning. We maximise the use of natural light in offices and we clean all the light fixtures and air conditioners regularly so that high efficiency can be maintained. During Friday or under hot temperature, employees in some of our offices are not required to wear suit to office to reduce the demand for air-conditioning. We also set the minimum temperature of the air-conditioning at around 26°C to reduce energy use. In Mingzhou Consultancy, specific guidelines such as the Measures to Reduce Emission at Office and the Guidelines on Energy Efficiency at Office were also set for employees' reference in cutting energy use on air-conditioning system, computers, printing machines and other office equipment in order to achieve energy conservation and reduce the emission of GHG.

In Jardine Centre, the Group also concerns the use of energy in the common area of the building. The building was built and operated in accordance with the Buildings Energy Efficiency Ordinance (Cap. 610) and we constantly improve the building's energy efficiency performance and introduce energy conservation opportunities. During the Reporting Period, we continued to cooperate with JLL to join the EnergyWi$e organised by the Hong Kong Awards for Environmental Excellence and Jardine Centre has been awarded the Energywi$e Certificate on energy saving for our effort in energy conservation. In addition, to combat climate change, Jardine Centre also supported the Charter on External Lighting launched by the Government of the HKSAR and has pledged to switch off all lighting installations from 12 a.m. to 7 a.m. to cut energy consumption and hence GHG emission. Jardine Center was awarded the Platinum Award for its efforts in cutting down the use of external lighting during the Reporting Period.

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Water Conservation

To reduce water consumption, the Group has adopted various measures. For example, signs are posted on each toilet to remind our employees to close the faucet after usage and conserve water. Also, the Group strengthens the maintenance of water equipment and regularly inspects and replaces aging faucet to minimise water leakage. In Jardine Centre, tenants are also encouraged to cut down on their water usage in the common area such as toilets.

Waste Reduction

With the business principally operating in offices, green office practices are crucial in reducing waste generation and conserving resources. The Group encourages employees to reuse single-sided printed paper and to adopt double sided printing when possible. We have set up designated recycling boxes in offices so as to collect and recycle paper as much as possible. We also purchase reusable, recyclable and refillable products such as refillable pens and reusable toner catridges to replace those disposable ones in our offices.

For Jardine Centre, we work closely with JLL for waste management. Measures to reduce the amount of waste generated within Jardine Center were adopted, including waste avoidance and reduction by product reuse, collection and recycling of recyclable materials and purchase of recycled materials during product procurement. We have joined the Wastewi$e organised by the Hong Kong Awards for Environmental Excellence and was awarded the Wastewi$e Certificate on waste reduction during the Reporting Period. For the building users, recycling bins have been stationed to encourage recycling. Tenants are also encouraged to voluntarily participate in the Food Waste Recycling Partnership Scheme organised by the Environmental Protection Department. Other waste such as waste cooking oil and construction waste generated by the tenants are required to be handled under strict compliance with relevant laws and regulations.

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KEY PERFORMANCE INDICATORS

Environmental Indicators	2019
Air Pollutants	
Nitrogen oxides (kg)	84.96
Sulphur dioxide (kg)	0.05
Particulate matter (kg)	8.37
Greenhouse gases	
Total GHG emissions (ton CO_2e)[1]	625.21
Scope 1: Direct emissions	16.18
Scope 2: Energy indirect emissions	563.47
Scope 3: Other indirect emissions	45.56
Emissions per million HKD of revenue (ton CO_2e)	13.90
Waste	
Total amount of non-hazardous waste (ton)	14.18
Amount of non-hazardous waste per million HKD of revenue (ton)	0.32
Total amount of hazardous waste (kg)	21.00
Amount of hazardous waste per million HKD of revenue (kg)	0.47
Use of resources	
Total energy consumption (MWh)	820.22
Direct energy consumption	49.73
Indirect energy consumption	770.49
Energy consumption per million HKD of revenue (MWh)	18.24
Total water consumption (m^3)[2]	34,598.00
Water consumption per million HKD of revenue (m^3)	769.25

1 Scope 1 includes combustion of fuels in vehicles and emergency generators; Scope 2 includes electricity generation; Scope 3 includes electricity used for water processing, overseas business travel, and paper waste disposed of at landfills.

2 Water consumption at the head office in Hong Kong and office of Mingzhou Consultancy is not available because they share lavatory with other tenants within the commercial building.

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Social Indicators	2019
Total Workforce	
By gender	
Male	22
Female	23
By age	
<31	6
31-50	35
>50	4
Occupational Health and Safety	
Number of work-related fatalities	0
Lost days due to work injury	0

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ESG GUIDE CONTENT INDEX

ESG Indicators	Description	Chapters	Page No.
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment – Emissions, Waste Generation, Resources Usage	59
KPI A1.1	The types of emissions and respective emissions data.	Key Performance Indicators	62
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Indicators	62
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Indicators	62
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Indicators	62
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environment – Emissions Reduction and Resources Conservation	59-61
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environment – Waste Generation, Emissions Reduction and Resources Conservation	59-61

ESG Indicators	Description	Chapters	Page No.
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment – Resources Usage	59
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Environment – Resources Usage, Emissions Reduction and Resources Conservation Key Performance Indicators	59-62
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environment – Resources Usage, Emissions Reduction and Resources Conservation Key Performance Indicators	59-62
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environment – Resources Usage, Emissions Reduction and Resources Conservation	59-61
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environment – Emissions Reduction and Resources Conservation	59-61
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environment – Resources Usage	59
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	Environment – Emissions Reduction and Resources Conservation	59-61
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment – Emissions Reduction and Resources Conservation	59-61

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ESG Indicators	Description	Chapters	Page No.
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment	56-58
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Key Performance Indicators	63
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	N/A	N/A
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment – Recruitment and Compensation, Health and Safety	56-57
KPI B2.1	Number and rate of work-related fatalities.	Key Performance Indicators	63
KPI B2.2	Lost days due to work injury.	Key Performance Indicators	63
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	Employment – Health and Safety	57

Environmental, Social and Governance Report

ESG Indicators	Description	Chapters	Page No.
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment – Training and Development	58
KPI B3.1	The percentage of employees trained by gender and employee category.	N/A	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category.	N/A	N/A
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment – Recruitment and Compensation, Rights and Benefits	56
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment – Recruitment and Compensation, Rights and Benefits	56
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered.	N/A	N/A
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management	53
KPI B5.1	Number of suppliers by geographical region.	N/A	N/A
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Operating Practices – Supply Chain Management	53

Environmental, Social and Governance Report

ESG Indicators	Description	Chapters	Page No.
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices – Service Quality and Customer Health and Safety	54
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	N/A	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating Practices – Protection of Privacy and Intellectual Property Right	55
KPI B6.4	Description of quality assurance process and recall Procedures.	Operating Practices – Service Quality and Customer Health and Safety	54
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Operating Practices – Protection of Privacy and Intellectual Property Right	55
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering.	Operating Practice – Anti-Corruption	55
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Operating Practice – Anti-Corruption	55
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operating Practice – Anti-Corruption	55

ESG Indicators	Description	Chapters	Page No.
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community	58
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community	58
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	N/A	N/A

* *for identification purpose only*

Independent Auditors' Report

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhongchang International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 169, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit address the key audit matter
Valuation of investment properties	
Refer to note 18 to the consolidated financial statements and the accounting policies in note 4 to the consolidated financial statements.	
Management has estimated the fair value of the Group's investment properties to be HK$1,921,600,000 as at 31 December 2019, with net loss in fair value for the year ended recorded in the consolidated statement of profit or loss and other comprehensive income of HK$25,100,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including market unit value of comparable properties, market rental and assuming the properties are capable of being sold in the existing state.	Our procedures in relation to management's determination of the valuation of the investment properties included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; and • Checking, on sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

Independent Auditors' Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit address the key audit matter

Valuation of investment in an associate

Refer to note 19 to the consolidated financial statements and the accounting policies in note 4 to the consolidated financial statements.

As at 31 December 2019, the carrying amount of the Group's investment in an associate amounted to approximately HK$206,001,000, net of provision for impairment of HK$26,121,000.

As disclosed in note 4 to the consolidated financial statements, investment in an associate is carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates, less impairment in the values of individual investments. As such, the Group is required to assess at the end of each reporting period whether there is any indication that the carrying amounts of investment in an associate may be impaired. For those associates in which such indication exists, the Group assessed its recoverable amount for impairment.

Our procedures in relation to management's determination of the recoverable amount of investment in an associate included:

- Assessing the appropriateness of the management's accounting for investment in an associate;
- Understanding the management's process for identifying the existence of impairment indicators in respect of the investment in an associate and evaluating the effectiveness of such process;
- Where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associates and obtaining an understanding from the management of their financial position and future prospects;
- Assessing the reasonableness of key inputs and assumptions used by management in their estimation of recoverable amounts, including projections of cash flows, growth rates and discount rates applied; and comparing cash flow projections to supporting evidence, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the future prospects of the associates as well as our knowledge of the industry and business; and
- Performing sensitivity analysis on the key inputs to evaluate the magnitude of their impacts on the calculations of the recoverable amounts of those associates.

We found the key assumptions of management's assessment on recoverable amount of an associate were supported by the available evidence.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit address the key audit matter

Net realisable value of properties held for sale

Refer to note 21 to the consolidated financial statements and the accounting policies in note 4 to the consolidated financial statements.

We identified the determination of the net realisable value ("NRV") of the Group's properties held for sale as a key audit matter due to the significant judgments involved in the determination of the net realisable value and the estimation of future cost to completion by the management of the Group.

The Group's properties held for sale are stated at the lower of cost and NRV. As at 31 December 2019, the Group's properties under sales amounted to HK$843,117,000, which represented approximately 22.5% of the Group's total assets.

We identified the assessment of the NRV of the properties in mainland China as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating future selling prices and future construction costs which increases the risk of error or potential management bias.

Our procedures in relation to management's determination of the NRV of properties held for sale included:

- Challenging the assumptions and judgements applied by management in estimating the NRV including evaluating the accuracy of management's estimation;

- Evaluating the reasonableness of the management's estimation of the future costs to completion for the properties under development, on a sampling basis, by comparing them to the actual development costs of similar completed properties of the Group and comparing to the relevant market information; and

- Assessing the appropriateness of the selling price estimated by the management, on a sampling basis, by comparing the estimated selling price to recent market prices in the same projects or comparable properties, based on the current market conditions in the real estate industry and our knowledge of the Group's business.

We found that the management's estimates were supported by the available evidence.

Independent Auditors' Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit address the key audit matter
Allowance for expected credit losses assessment of financial assets at amortised cost	
Refer to notes 19 and 22 to the consolidated financial statements and the accounting policies in note 4 to the consolidated financial statements.	
As at 31 December 2019, the trade and other receivables and deposits and amount due from an associate was approximately HK$104,732,000 and HK$54,154,000 respectively. (2018: HK$7,125,000 and HK$nil). Allowance of expected credit losses of trade and other receivables and deposits and amount due from an associate approximately HK$5,996,000 and HK$9,457,000 respectively was recognised during the year ended 31 December 2019 (2018: Nil). Management applied judgement in assessing the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses experienced from the past 3 years and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.	Our procedures in relation to management's determination of the allowance for expected credit losses assessment of financial assets at amortised cost: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis; • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2019 to the underlying financial records and post year-end settlements to bank receipts; • Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found that the management judgments and estimates used to assess the impairment of financial assets at amortised cost were supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

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 AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Independent Auditors' Report

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

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 director on the audit resulting in this independent auditors' report is Kwok Tsz Chun.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Tsz Chun
Practising Certificate Number: P06901

Hong Kong, 29 April 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000
Revenue	6	**44,976**	32,787
Other (loss)/income, net	8	**(103)**	4,235
Net (loss)/gain in fair value of investment properties	18	**(25,100)**	19,200
Staff costs	9	**(15,788)**	(5,668)
Depreciation of property, plant and equipment	16	**(998)**	(655)
Depreciation of right-of-use assets	17	**(1,475)**	–
Impairment losses under expected credit loss model		**(15,453)**	–
Other operating expenses		**(29,076)**	(10,768)
(Loss)/profit from operations	9	**(43,017)**	39,131
Share of results of an associate	19	**(1,789)**	–
Impairment loss on investment in an associate	19	**(26,121)**	–
Finance costs	10	**(23,450)**	(18,304)
(Loss)/profit before taxation		**(94,377)**	20,827
Taxation	13	**(410)**	(3,486)
(Loss)/profit for the year/period		**(94,787)**	17,341
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(18,227)**	(102)
Other comprehensive loss for the year/period, net of tax		**(18,227)**	(102)
Total comprehensive (loss)/income for the year/period		**(113,014)**	17,239
(Loss)/profit for the year/period attributable to the owners of the Company		**(94,787)**	17,341
Total comprehensive (loss)/income for the year/period attributable to the owners of the Company		**(113,014)**	17,239
(LOSS)/EARNINGS PER SHARE			
– Basic (in HK cents)	15	**(8.43)**	1.54
– Diluted (in HK cents)	15	**(8.43)**	1.53

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 HK$'000	31 December 2018 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	16	**2,147**	2,855
Right-of-use assets	17	**4,384**	–
Investment properties	18	**1,921,600**	1,946,700
Investment in an associate	19	**206,001**	–
Financial assets at fair value through profit or loss	20	**31,615**	–
Deferred tax assets	28	**6,970**	–
		2,172,717	1,949,555
CURRENT ASSETS			
Properties for sale	21	**843,117**	–
Trade and other receivables, deposits and prepayments	22	**472,225**	7,872
Amount due from an associate	19	**44,697**	–
Derivative financial instruments	26	**89**	728
Tax recoverables		**664**	250
Cash and bank balances	23	**205,947**	1,015,021
		1,566,739	1,023,871
CURRENT LIABILITIES			
Trade and other payables, deposits and accrued expenses	24	**129,043**	8,159
Lease liabilities	17	**1,689**	–
Bank and other borrowings	25	**591,750**	25,710
Convertible notes	27	**9,845**	–
Tax payable		**3,284**	1,417
		735,611	35,286
NET CURRENT ASSETS		**831,128**	988,585
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,003,845**	2,938,140
NON-CURRENT LIABILITIES			
Other payable and deposits	24	**7,494**	8,240
Lease liabilities	17	**2,841**	–
Bank and other borrowings	25	**999,190**	814,160
Convertible notes	27	**–**	8,761
Deferred tax liabilities	28	**11,026**	10,671
		1,020,551	841,832
NET ASSETS		**1,983,294**	2,096,308
CAPITAL AND RESERVES			
Share capital	29	**112,502**	112,502
Reserves	30	**1,870,792**	1,983,806
TOTAL EQUITY		**1,983,294**	2,096,308

These consolidated financial statements were approved and authorised for issue by the board of directors on 29 April 2020 and are signed on its behalf by:

FAN Xuerui
Director

PI Minjie
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to the owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000 (note 30)	**Exchange reserve** HK$'000 (note 30)	**Convertible notes equity reserve** HK$'000 (note 30)	**Contributions from shareholders** HK$'000 (note 30)	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2018	112,502	168,300	9,628	(18)	5,619	233,606	1,549,432	2,079,069
Profit for the period	–	–	–	–	–	–	17,341	17,341
Other comprehensive loss, net of income tax:								
Items that may be reclassified subsequently to profit or loss:								
Exchange difference on translating foreign operations	–	–	–	(102)	–	–	–	(102)
Total comprehensive (loss)/income for the period	–	–	–	(102)	–	–	17,341	17,239
At 31 December 2018 and 1 January 2019	112,502	168,300	9,628	(120)	5,619	233,606	1,566,773	2,096,308
Loss for the year	–	–	–	–	–	–	(94,787)	(94,787)
Other comprehensive loss, net of income tax:								
Items that may be reclassified subsequently to profit or loss:								
Exchange difference on translating foreign operations	–	–	–	(18,227)	–	–	–	(18,227)
Total comprehensive loss for the year	–	–	–	(18,227)	–	–	(94,787)	(113,014)
Transfer upon dissolution of a subsidiary *(note)*	–	–	–	–	–	(233,606)	233,606	–
At 31 December 2019	**112,502**	**168,300**	**9,628**	**(18,347)**	**5,619**	**–**	**1,705,592**	**1,983,294**

Note:

The contributions from shareholder represent the aggregation of discount on acquisition of an indirect wholly-owned subsidiary, Uptodate Management Limited ("Uptodate"), with the amount of approximately HK$233,606,000 from one former controller shareholder – Mr. Ng Chun For, Henry.

During the Reporting Period, Uptodate was dissolved and its attributable contributions from shareholder of approximately HK$233,606,000 were transferred to retained profits.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(94,377)**	20,827
Adjustments for:			
Depreciation of property, plant and equipment	16	**998**	655
Depreciation of right-of-use assets	17	**1,475**	–
Gain on disposal of right-of-use assets		**(10)**	–
Net loss/(gain) in fair value of investment properties	18	**25,100**	(19,200)
Interest income	8	**(2,110)**	(3,439)
Interest expenses	10	**23,450**	18,304
Share of results of an associate	19	**1,789**	–
Impairment loss on investment in an associate	19	**26,121**	–
Impairment under expected credit loss model		**15,453**	–
Fair value loss of financial assets at fair value through profit or loss	8	**1,730**	–
Fair value loss of derivative financial asset component of convertible notes	8	**639**	(709)
Operating cash flows before changes in working capital		**258**	16,438
Increase in stock of properties		**(99,129)**	–
Increase in trade and other receivables deposits and prepayments		**(187,462)**	(5,041)
Increase in other payables, deposits and accrued expenses		**82,026**	585
CASH (USED IN)/GENERATED FROM OPERATIONS		**(204,307)**	11,982
Interest paid		**(76,804)**	(16,866)
Income tax paid		**(1,111)**	(1,780)
NET CASH USED IN OPERATING ACTIVITIES		**(282,222)**	(6,664)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(242)**	(652)
Acquisition of investment in an associate	19	**(246,114)**	–
Loan to an associate		**(56,549)**	–
Investment in financial assets at fair value through profit or loss		**(33,345)**	–
Net cash outflow on acquisition of subsidiaries	34	**(232,777)**	–
Deposit paid for acquisition of a land parcel		**(194,010)**	–
Deposit paid for acquisition of a subsidiary		**(74,572)**	–
Interest received		**2,110**	3,416
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(835,499)**	2,764
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised		**544,469**	287,000
Repayment of bank borrowings		**(67,620)**	(17,130)
Advance from related companies		**125,795**	–
Repayment of amounts due to related companies		**(291,943)**	–
Payment of lease liabilities		**(1,597)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**309,104**	269,870
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(808,617)**	265,970
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		**1,015,021**	749,153
Effect of foreign exchange rate changes		**(457)**	(102)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	23	**205,947**	1,015,021

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Company acts as an investment holding company and the principal activities of the Group are property leasing and property development.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

2. CHANGE OF FINANCIAL YEAR END DATE

In April 2018, the Board resolved to change the financial year end date of the Company from 31 March to 31 December effective from 31 December 2018. The consolidated financial statements presented for the previous period therefore cover a nine-month period from 1 April 2018 to 31 December 2018. The amounts presented on the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes for the Reporting Period may not be comparable with amounts shown for the previous period.

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

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

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

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets. The lessor accounting requirements are substantially unchanged from HKAS 17.

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

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

As a lessee

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

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

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

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.75% to 5.23%.

The following table reconciles the operating lease commitments disclosed as at 31 December 2018 to the lease liabilities as at 1 January 2019.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	1,419
Add: Lease liabilities resulting from lease modifications of existing leases	359
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	(837)
Effect from discounting at the incremental borrowing rules as at 1 January 2019	(53)
Lease liabilities as at 1 January 2019	888
Analysed as	
Current	411
Non-current	477
	888

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Capitalisation of operating lease contracts HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current assets			
Right-of-use assets	–	888	888
Current liabilities			
Lease liabilities	–	411	411
Non-current liabilities			
Lease liabilities	–	477	477

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

New and amendments to HKFRSs in issue not yet effective

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

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

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

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

The Group anticipate that the application of all these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance ("CO").

(ii) Basis of preparation of financial statements

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and financial assets at fair value through profit or loss ("FVTPL") that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Basis of preparation of financial statements (Continued)

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

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

The principal accounting policies are set out below.

(iii) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Basis of consolidation (Continued)

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

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

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

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.

Changes in the Group's ownership interests in existing subsidiaries

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Business combinations

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

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

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

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

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Business combinations (Continued)

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

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

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

(v) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for the current period are as follows:

Leasehold improvements	20% or over the terms of the leases, if higher
Furniture, fixtures and equipment	20% to 25%

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

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

(vii) Acquisition of a subsidiary not constituting a business

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

(viii) Investment in associate

An associate is an entity over which the Group has 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.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Investment in associate (Continued)

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

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

(ix) Impairment losses on tangible assets

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Properties for sale

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalized in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value represents the estimated selling price for properties for sale less all estimated costs of completion and costs necessary to make the sale. Properties under development for sales are transferred to completed properties held for sales upon completion. Properties under development for sales are transferred to property, plant and equipment when there is a change in use, evidenced by commencement of owner-occupation which the carrying amount is carried forward and transferred to property, plant and equipment as the cost.

(xi) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an in significant risk of changes in value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Financial instruments

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

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

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

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

Debt instruments classified as at FVTOCI
Subsequent changes in the carrying amounts for debt instruments as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Equity instruments designated as at FVTOCI
Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other revenue and other income" line item.

Impairment of financial assets
The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposit, loan and other receivables, amount due from an associate and cash and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Financial instruments (Continued)

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Financial instruments (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

(a) significant financial difficulty of the borrower or issuer;

(b) a breach of contract such as a default or past due event;

(c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(d) the disappearance of an active market for a security because of financial difficulties; or

(e) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Financial instruments (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate determined at initial recognition.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Financial instruments (Continued)

Measurement and recognition of ECLs (Continued)

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

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risk are taken into account by adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9 and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for ECL are presented in the consolidated statements of financial position as follows:

(a) for financial assets measured at amortised cost; loss allowances for ECL are presented in the combined statements of financial position as a deduction from the gross carrying amount of the assets;

(b) for equity instruments measured at FVTOCI, no loss allowance is recognised in the consolidated statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the FVTOCI reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, bank and other borrowings, convertible notes payable and lease liabilities are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

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

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xiii) Leases (upon application of HKFRS 16 in accordance with transitions in note 3)

Definition of 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.

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

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

Allocation of consideration to components of a contract

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

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xiii) Leases (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

Right-of-use assets (Continued)

Except for those that are classified as investment properties are measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

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

Lease payments included in the measurement of the lease liability comprise:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xiii) Leases (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

Lease liabilities (Continued)

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

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

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

Lease modifications

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

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

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

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

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xiii) Leases (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

Lease modifications (Continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

At the end of the reporting period, the Group reviews the carrying amounts of its right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

Allocation of consideration to components of a contract

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xiii) Leases (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

Refundable rental deposits

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

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group as a lessor (prior to adoption of HKFRS 16 on 1 January 2019)

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(xiv) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

(xv) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xvi) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

(xvii) Provisions

Provisions are recognised when the Group has present obligation (legal or constructive) has arisen as a result of a past event, it is probable that the Group will be required to settle obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised for a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xviii) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(xix) Taxation

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

Current Tax

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xix) Taxation (Continued)

Deferred Tax

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 Income Taxes (i.e. based on the expected manner as to how the properties will be recovered).

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax for the period

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

(xx) Borrowing costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xx) Borrowing costs (Continued)

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

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

(xxi) Related party

A related party is a person or entity that is related to the entity that is preparing the financial statements:

(i) A person or a close member of that person's family is related to the Group if that person:

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

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

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

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

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

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligation between related parties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xxii) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(xxiii) Revenue from contracts with customers

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

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

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

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

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

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

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xxiii) Revenue from contracts with customers (Continued)

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

Output method

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

The Group recognises revenue from the following major source which was recognised over the terms of the service contracts as the work is performed:

Provision of property project management services.

Rental income from operating leases is recognised on a straight line basis over the terms of the relevant lease.

(xxiv) Other income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Estimated impairment of trade and other receivables and deposits

The loss allowances for financial assets are based on assumption about risk of default and expected loss rates. The Group use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs use are disclosed in Note 41(i).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) Assessment of impairment of assets

Management periodically reviews each asset (including property, plant and equipment and right-of-use asset) for possible impairment or reversal of previously recognised impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell. Management performs their analysis of fair value, based on various assumptions and estimates.

(d) Fair value of investment properties

As set out in note 18, investment properties were revalued as at 31 December 2019 on an open market value existing use basis by a firm of independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each of reporting period.

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 (or subject to different leases or other contract), adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, 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, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flow.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

(e) Fair value of derivatives financial instruments and other financial instruments

As explained in note 26, the directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

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For the year ended 31 December 2019

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(f) Estimated impairment test on interest in associate

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(g) Estimated net realisable value on properties under development

In determining whether allowances should be made for the Group's properties under development, the Group takes into consideration the current market environment and the estimated net realisable value (i.e. the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale). An allowance is made if the estimated or actual net realisable value of the properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. As at 31 December 2019, the carrying amount of the properties under development is HK$ 819,203,000 (2018: Nil).

(h) Income taxes and deferred taxation

The Group is subjected to income taxes in Hong Kong and the PRC. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for 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, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. REVENUE

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Gross rental income from investment properties in Hong Kong	**39,179**	28,955
Property project management services income in the PRC under HKFRS 15 recognised over time	**5,797**	3,832
	44,976	32,787

7. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board, being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

(i) Property investment – leasing of investment properties located in Hong Kong

(ii) Property development in the PRC

(iii) Property project management services – provision of property project management services in the PRC, which has been suspended since October 2019

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For the year ended 31 December 2019

7. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

Year ended 31 December 2019

	Property investment HK$'000	Property project management services HK$'000	Property development HK$'000	Total HK$'000
Revenue from other sources				
– Rental income	39,179	–	–	39,179
Revenue from contract with customers				
– Recognised over time	–	5,797	–	5,797
Segment revenue	39,179	5,797	–	44,976
Segment results	32,541	2,118	(16,877)	17,782
Other loss, net				(103)
Corporate and other unallocated expenses				(35,596)
Net loss in fair value of investment properties				(25,100)
Share of results of an associate				(1,789)
Impairment loss on investment in an associate				(26,121)
Finance costs				(23,450)
Loss before taxation				(94,377)

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Nine months ended 31 December 2018

	Property investment HK$'000	Property project management services HK$'000	Total HK$'000
Revenue from other sources			
– Rental income	28,955	–	28,955
Revenue from contract with customers			
– Recognised over time	–	3,832	3,832
Segment revenue	28,955	3,832	32,787
Segment results	26,255	2,482	28,737
Other income			4,235
Corporate and other unallocated expenses			(13,041)
Net gain in fair value of investment properties			19,200
Finance costs			(18,304)
Profit before taxation			20,827

Segment results represents the profit/(loss) from each segment without allocation of corporate and other unallocated expenses, net other (loss)/income, net (loss)/gain in fair value of investment properties, share of results of an associate, impairment loss an investment in an associate and finance costs. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year/period reported.

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For the year ended 31 December 2019

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 31 December 2019

	Property investment HK$'000	Property development HK$'000	Property project management services HK$'000	Total HK$'000
Segment assets	**1,984,338**	**1,264,232**	**4,666**	**3,253,236**
Unallocated				**486,220**
Consolidated assets				**3,739,456**
Segment liabilities	**28,148**	**619,374**	**–**	**647,522**
Unallocated				**1,108,640**
Consolidated liabilities				**1,756,162**

At 31 December 2018

	Property investment HK$'000	Property project management services HK$'000	Total HK$'000
Segment assets	1,977,990	12,977	1,990,967
Unallocated			982,459
Consolidated assets			2,973,426
Segment liabilities	865,337	797	866,134
Unallocated			10,984
Consolidated liabilities			877,118

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in an associate, certain other receivables, deposits and prepayments, financial assets at fair value through profit or loss, amount due from an associate, derivative financial instruments and cash and bank balances.
- all liabilities are allocated to operating segments other than certain other payables and accrued expenses, certain lease liabilities, certain tax payables, convertible notes and its accrued interests, certain deferred tax liabilities and bank and certain other borrowings.

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For the year ended 31 December 2019

7. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2019

	Property investment HK$'000	Property development HK$'000	Property project management services HK$'000	Unallocated HK$'000	Total HK$'000
Net loss in fair value of investment properties	(25,100)	–	–	–	(25,100)
Fair value loss of derivative financial assets component of convertible notes	–	–	–	(639)	(639)
Fair value loss of financial assets at fair value through profit or loss	–	–	–	(1,730)	(1,730)
Additions to non-current assets	200	3	–	4,130	4,333
Depreciation of property, plant and equipment	(924)	(14)	(11)	(49)	(998)
Depreciation of right-of-use assets	–	(378)	(241)	(856)	(1,475)
Impairment loss under ECL model	–	(2,616)	(22)	(12,815)	(15,453)

Nine months ended 31 December 2018

	Property investment HK$'000	Property project management services HK$'000	Unallocated HK$'000	Total HK$'000
Net gain in fair value of investment properties	19,200	–	–	19,200
Fair value gain of derivative financial assets component of convertible notes	–	–	709	709
Additions to non-current assets	507	52	93	652
Depreciation of property, plant and equipment	(631)	(1)	(23)	(655)

Geographical information

The following tables set out information about the Group's revenue from external customers by geographical locations, based on the location at which the properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

	Revenue from external customers	
	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Hong Kong	**39,179**	28,955
The PRC	**5,797**	3,832
	44,976	32,787

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

7. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

	Non-current assets	
	31 December 2019 HK$'000	31 December 2018 HK$'000
Hong Kong	**1,927,089**	1,949,504
The PRC	**245,628**	51
	2,172,717	1,949,555

Information about major customers

There were no customers individually contributing over 10% of the revenue for the year/period reported.

8. OTHER (LOSS)/INCOME, NET

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Bank interest income	**2,110**	3,439
Fair value (loss)/gain of derivative financial asset component of convertible notes (note 27)	**(639)**	709
Fair value loss of financial assets at fair value through profit or loss (note 20)	**(1,730)**	–
Net exchange gain	**–**	87
Sundry income	**156**	–
	(103)	4,235

9. (LOSS)/PROFIT FROM OPERATIONS

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
(Loss)/profit from operations is arrived at after charging/(crediting):		
Directors' emoluments (note 11)	**2,380**	962
Other staff costs:		
Salaries and allowances	**11,620**	4,318
Retirement benefit scheme contributions	**146**	83
Social security contributions	**1,333**	224
Other benefits in kind	**309**	81
	13,408	4,706
Total staff costs	**15,788**	5,668
Net exchange loss/(gain)	**2,241**	(87)
Auditors' remuneration	**1,500**	750
Depreciation of property, plant and equipment (note 16)	**998**	655
Depreciation of right-of-use assets (note 17)	**1,475**	–
Impairment loss under ECL model	**15,453**	–
Gross rental income from investment properties	**(39,179)**	(28,955)
Less: Direct operating expenses from investment properties that generated rental income during the year/period	**3,992**	2,700
	(35,187)	(26,255)

10. FINANCE COSTS

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Interest on bank and other borrowings		
– wholly repayable within five years	**78,613**	16,005
Interest on lease liabilities (note 17)	**190**	–
Other finance costs	**–**	1,435
Effective interest expense on convertible notes (note 27)	**1,269**	864
Total borrowing costs	**80,072**	18,304
Less: amount capitalised to properties for sale	**(56,622)**	–
	23,450	18,304

The capitalisation rate used to capitalise interest on general borrowings was 3.4% for the Reporting Period (nine months ended 31 December 2018: Nil).

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11. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year/period, disclosed pursuant to the applicable Listing Rules and CO is as follows:

Year ended 31 December 2019

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors					
Fan Xuerui	–	1,113	–	18	1,131
Pi Minjie (note (a))	–	138	–	31	169
Sun Meng	–	–	–	–	–
Li Guang	–	–	–	–	–
Pan Gongcheng (note (b))	–	–	–	–	–
Wang Junyong (note (c))	–	–	–	–	–
Lai Hing Kwok (note (d))	–	–	–	–	–
	–	1,251	–	49	1,300
Non-executive director					
Wang Xin (note (f))	–	–	–	–	–
Independent non-executive directors					
Hung Ka Hai Clement	360	–	–	–	360
Liew Fui Kiang	360	–	–	–	360
Wong Sai Tat	360	–	–	–	360
	1,080	–	–	–	1,080
Total	1,080	1,251	–	49	2,380

11. DIRECTORS' EMOLUMENTS (Continued)

Nine months ended 31 December 2018

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors					
Wang Junyong (note (c))	–	–	–	–	–
Fan Xuerui	–	150	–	2	152
Sun Meng	–	–	–	–	–
Sun Feng (note (e))	–	–	–	–	–
Lai Hing Kwok (note (d))	–	–	–	–	–
Li Guang	–	–	–	–	–
	–	150	–	2	152
Independent non-executive directors					
Hung Ka Hai Clement	270	–	–	–	270
Liew Fui Kiang	270	–	–	–	270
Wong Sai Tat	270	–	–	–	270
	810	–	–	–	810
Total	810	150	–	2	962

Notes:

(a) Appointed on 30 September 2019.

(b) Appointed on 5 June 2019 and resigned on 30 September 2019.

(c) Resigned on 5 June 2019.

(d) Appointed on 6 September 2018 and resigned on 22 May 2019.

(e) Resigned on 23 October 2018.

(f) Appointed on 23 August 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

11. DIRECTORS' EMOLUMENTS (Continued)

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of each of the Reporting Period and the nine months ended 31 December 2018.

No emoluments were paid or payable by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the Reporting Period and nine months ended 31 December 2018. No directors waived or agreed to waive any remuneration during the Reporting Period and nine months ended 31 December 2018.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended 31 December 2019 included one director, details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the remaining four (for the nine months ended 31 December 2018: five) highest paid employees who are neither a director or chief executive of the Company are as follows:

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Salaries, allowances and other benefits	**3,522**	2,535
Contributions to retirement benefit schemes	**45**	54
Social security contributions	**50**	35
Discretionary bonus	**–**	–
	3,617	2,624

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	No. of individuals	
	Year ended 31 December 2019	Nine months ended 31 December 2018
HK$300,001- HK$500,000	**1**	4
HK$500,001 – HK$1,000,000	**2**	–
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**1**	–
	4	5

12. FIVE HIGHEST PAID EMPLOYEES (Continued)

The emoluments of senior management (excluding the directors as disclosed in note 11) are within the following bands:

	No. of senior management	
	Year ended 31 December 2019	Nine months ended 31 December 2018
HK$0 – HK$300,000	**1**	–
HK$300,001 – HK$500,000	**2**	2
HK$500,001 – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**–**	1
	4	3

No emoluments were paid or payable by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office during the year ended 31 December 2019 and nine months ended 31 December 2018. No five highest paid individuals waived or agreed to waive any remuneration during the year ended 31 December 2019 and nine months ended 31 December 2018.

13. TAXATION

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
Current tax		
Hong Kong		
– Provision for the year/period	**2,758**	2,293
– Under provision in prior period/years	**24**	175
	2,782	2,468
The PRC		
– Enterprise income tax	**135**	521
	2,917	2,989
Deferred taxation		
– (Credited)/charged to the consolidated statement of profit or loss and other comprehensive income (note 28)	**(2,507)**	497
	410	3,486

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

13. TAXATION (Continued)

The provision for Hong Kong Profits Tax for the Reporting Period is calculated at 16.5% of the estimated assessable profits for the year (nine months ended 31 December 2018: 16.5%). The concession of 8.25% tax brand under the two-tiered tax regime introduced by the Hong Kong SAR Government was taken up by an indirect wholly-owned subsidiary incorporated in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 April 2008 onwards.

The taxation charge for the year/period can be reconciled to the (loss)/profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2019 HK$'000	**%**	Nine months ended 31 December 2018 HK$'000	%
(Loss)/profit before taxation	**(94,377)**		20,827	
Tax at the Hong Kong profits tax rate of 16.5% (for the nine months ended 31 December 2018:16.5%)	**(15,572)**	**16.5**	3,436	16.5
Tax effect of expenses not deductible for tax purpose	**14,482**	**(15.3)**	4,356	20.9
Tax effect of income not taxable for tax purpose	**(1,096)**	**1.2**	(4,828)	(23.2)
Under provision in respect of prior period/years	**24**	**(0.1)**	175	0.8
Statutory tax concession	**(165)**	**0.2**	(165)	(0.8)
Utilisation of tax losses previously not recognised	**(74)**	**0.1**	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,740)**	**2.9**	172	0.8
Tax effect of tax losses not recognised	**5,551**	**(5.9)**	340	1.6
Taxation for the year/period	**410**	**(0.4)**	3,486	16.7

14. DIVIDENDS

The Directors do not recommend dividend for the year ended 31 December 2019 (for the nine months ended 31 December 2018: Nil).

15. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December 2019 HK$'000	Nine months ended 31 December 2018 HK$'000
(Loss)/earnings for the purpose of basic (loss)/earnings per share	**(94,787)**	17,341
Effects of dilutive potential ordinary shares		
Effective interest expenses on convertible notes, net of tax	**–**	744
Fair value gain of derivative financial asset component of convertible notes	**–**	(709)
(Loss)/earnings for the purpose of diluted (loss)/earnings per share	**(94,787)**	17,376

	Year ended 31 December 2019 '000	Nine months ended 31 December 2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,125,027**	1,125,027
Effect of dilutive potential ordinary shares:		
– Convertible notes	**–**	13,716
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**1,125,027**	1,138,743

For the year ended 31 December 2019, the diluted loss per share is the same as the basic loss per share. The Company's outstanding convertible notes were not included in the calculation of diluted loss per share because the effect of which were anti-dilutive.

The diluted earnings per share for the nine months ended 31 December 2018 were calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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For the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture fixtures and equipment	Total
	HK$'000	HK$'000	HK$'000
COST			
At 1 April 2018	4,056	336	4,392
Additions	507	145	652
At 31 December 2018 and 1 January 2019	4,563	481	5,044
Acquisition of subsidiaries	–	58	58
Additions	200	42	242
Exchange realignment	–	(4)	(4)
At 31 December 2019	4,763	577	5,340
ACCUMULATED DEPRECIATION			
At 1 April 2018	1,338	196	1,534
Provided for the period	614	41	655
At 31 December 2018 and 1 January 2019	1,952	237	2,189
Acquisition of subsidiaries	–	8	8
Provided for the year	901	97	998
Exchange realignment	–	(2)	(2)
At 31 December 2019	2,853	340	3,193
CARRYING VALUES			
At 31 December 2019	**1,910**	**237**	**2,147**
At 31 December 2018	2,611	244	2,855

The above items of property, plant and equipment are depreciated on a straight-line basis at the followings rates per annum:

Leasehold improvements	20% or over the terms of the leases, if higher
Furniture, fixtures and equipment	20% to 25%

17. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings used in its operations. Leases of buildings generally have lease terms between 2 to 4 years.

(a) Right-of-use assets

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

	HK$'000
COST	
At 1 January 2019	888
Acquisition of subsidiaries	1,481
Additions	4,091
Disposals	(700)
Exchange realignment	(71)
At 31 December 2019	5,689
ACCUMULATED DEPRECIATION	
At 1 January 2019	–
Acquisition of subsidiaries	78
Provided for the year	1,475
Eliminated on disposals	(240)
Exchange realignment	(8)
At 31 December 2019	1,305
CARRYING VALUES	
At 31 December 2019	**4,384**
At 1 January 2019	888

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For the year ended 31 December 2019

17. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	HK$'000
At 1 January 2019	888
Leases modification	4,091
Acquisition of subsidiaries (note 34)	1,493
Interest on lease liabilities (note 10)	190
Lease payments	(1,597)
Termination of lease during the year	(470)
Exchange realignment	(65)
At 31 December 2019	**4,530**
Analysed as:	
Current	1,689
Non-current	2,841
	4,530

The maturity analysis of lease liabilities is disclosed in note 41 to the consolidated financial statements.

(c) The amounts recognised in income statement in relation to leases are as follows:

	HK$'000
Interest on lease liabilities (note 10)	190
Depreciation of right-of-use assets (note 9)	1,475
Total amount recognised in income statement	1,665

The Group as a lessor

Property rental income earned during the year was approximately HK$39,179,000 (nine months ended 31 December 2018: approximately HK$28,955,000). The properties are expected to generate rental yields of 2.04% (31 December 2018: 1.98%) on an ongoing basis.

At the end of the Reporting Period, the Group had contracted with the tenants for the following future minimum lease receivables:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Within one year	**29,159**	29,786
In the second to fifth years inclusive	**24,071**	30,603
	53,230	60,389

18. INVESTMENT PROPERTIES

	Completed investment properties in Hong Kong HK$'000
FAIR VALUE:	
At 1 April 2018	1,927,500
Gain in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	19,200
At 31 December 2018 and 1 January 2019	1,946,700
Loss in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	(25,100)
At 31 December 2019	**1,921,600**
Unrealised loss in fair value of investment properties included in profit or loss	(25,100)

(a) The analysis of the carrying amount of investment properties is as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
In Hong Kong		
– long-term leases	**1,921,600**	1,946,700

(b) Pledge of investment properties

Details of pledge of investment properties are set out in note 37 of the consolidated financial statements.

Notes to the Consolidated Financial Statements

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18. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2019 has been arrived at on the basis of a valuation carried out on the respective dates by Knight Frank Petty Limited (31 December 2018: CBRE Limited), independent qualified professional valuers not connected to the Group.

The responsible valuers of Knight Frank Petty Limited and CBRE Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on i) the sales comparison approach, which involves an analysis of sales transactions of comparable properties within the neighbourhood area of the properties; and (ii) the income capitalisation approach, which involves estimating the rental incomes of the properties and capitalising them all on an appropriate rate to produce a capital value.

As at 31 December 2019 and 2018, the fair value of the investment properties were generally determined based on income capitalisation approach and by making reference to comparable rent and sales transactions of similar properties in the similar locations and conditions as available in the market to assess the market value of the investment properties.

At each financial year end, the management of the Group will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) hold discussion with the independent valuer.

Changes in level 2 and 3 fair values are analysed at each reporting date by the management of the Group.

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

18. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group's investment properties (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2019 and 31 December 2018 are as follows:

	Level 2 HK$'000	Level 3 HK$'000	Fair values as at 31 December 2019 HK$'000
Residential units located in Hong Kong	**–**	**14,600**	**14,600**
Commercial units located in Hong Kong	**–**	**1,907,000**	**1,907,000**
Total	**–**	**1,921,600**	**1,921,600**

	Level 2 HK$'000	Level 3 HK$'000	Fair values as at 31 December 2018 HK$'000
Residential units located in Hong Kong	–	14,700	14,700
Commercial units located in Hong Kong	–	1,932,000	1,932,000
Total	–	1,946,700	1,946,700

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18. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group's investment properties (Continued)

	Fair value 31 December 2019 HK$'000	31 December 2018 HK$'000	Valuation technique	Significant unobservable inputs	Sensitivity
Investment properties located in Hong Kong	–	432,000	Sales comparison approach	Market unit value, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in market unit value used would result in significant increase in fair value, and vice versa.
Investment properties located in Hong Kong	**1,921,600**	1,514,700	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental, income potential, nature of property, and prevailing market condition, of 2.0% to 3.3% (31 December 2018: 2.2% to 3.0% per annum).	The higher the capitalisation rate, the lower the fair value.
				Monthly market rent, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in the market rent used result in significant increase in fair value, and vice versa.

Reversionary yield is the rate taking into account the capitalisation of rental income potential, nature of the property and prevailing market condition. Market rent per square foot is the market rent taking into account the direct comparable market transactions to the related properties.

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

18. INVESTMENT PROPERTIES (Continued)

(c) Fair value measurement of the Group investment properties (Continued)

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

	Residential properties in Hong Kong HK$'000	Commercial properties in Hong Kong HK$'000	Total HK$'000
Carrying amount at 1 April 2018	14,500	1,913,000	1,927,500
Fair value changes	200	19,000	19,200
Carrying amount at 31 December 2018 and 1 January 2019	14,700	1,932,000	1,946,700
Fair value changes	(100)	(25,000)	(25,100)
Carrying amount at 31 December 2019	**14,600**	**1,907,000**	**1,921,600**

The Group believes that any possible changes in the input values would not cause significant change in fair value of investment properties.

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19. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

On 4 February 2019, Agile Scene Limited ("Agile Scene"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sansheng BVI, pursuant to which Agile Scene agreed to purchase and Sansheng BVI agreed to sell 49% equity interest in Yitai at a cash consideration of approximately RMB255,600,000 (equivalent to approximately HK$299,000,000). Yitai is an investment holding company and indirectly holds 99% beneficial equity interest in 金華銘瑞房地產開發有限公司 (Jinhua Mingrui Real Estate Development Co., Ltd.*) ("Jinhua Mingrui"), which is engaged in property development in Jinhua City, Zhejiang Province, the PRC. The acquisition was completed on 2 April 2019.

The investment in an associate is accounted for using equity method in the consolidated financial statements.

	31 December 2019 HK$'000	31 December 2018 HK$'000
Cost of investment in an associate, unlisted	**246,114**	–
Share of results of an associate	**(1,789)**	–
Exchange adjustment	**(12,203)**	–
	232,122	–
Impairment loss recognised	**(26,121)**	–
	206,001	–
Amount due from an associate, net of allowance of credit losses (note)	**44,697**	–

Note:

As disclosed in the circular of the Company dated 8 March 2019, the amount represents the loan in the principal amount of RMB48,510,000 (equivalent to approximately HK$54,154,000) which was assigned to the Group pursuant to the SPA II. The amount was unsecured, non-interest bearing and shall be repayable (i) on demand after obtaining of the 竣工驗收備案表 (acceptance form of construction completion*) issued by 中國地方城市建議局 (local urban construction bureau*) to Jinhua Mingrui and (ii) in any event before distribution of dividends of Jinhua Mingrui. At 31 December 2019, impairment loss under ECL model of approximately HK$9,457,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

At 31 December 2019, the Group has interests in the following associate:

Name	Country of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group At 31 December 2019	At 31 December 2018	Principal activities
Yitai International (BVI) Holdings Limited	The British Virgin Islands	The PRC	Ordinary shares	**49%**	–	Investment holding

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19. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (Continued)

Summartised financial information in respect the Group's associate is set out as below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using equity method in the Group's consolidated financial statements.

	31 December 2019 HK$'000	31 December 2018 HK$'000
Current assets	**2,155,009**	–
Non-current assets	**629**	–
Current liabilities	**(2,250,869)**	–
Non-current liabilities	**–**	–
Net liabilities	**(95,231)**	–
Equity attributable to owners of the associate	**(94,279)**	–
Non-controlling interests	**(952)**	–
Total equity	**(95,231)**	–
Revenue	**–**	–
Loss for the year	**(37,518)**	–
Other comprehensive loss for the year	**(12,203)**	–
Total comprehensive loss for the year	**(49,721)**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Net liabilities attributable to owners of an associate	**(94,279)**	–
Proportion of the Group's interest in an associate	**49%**	–
Group's Share of net liabilities of an associate, excluding goodwill	**(46,197)**	–
Fair value adjustment of the associate's identifiable assets and liabilities upon acquisition of the investment of an associate	**278,319**	–
Impairment loss on investment in an associate	**(26,121)**	–
Carrying amount of the Group's investment in an associate	**206,001**	–

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19. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (Continued)

The management of the Group carried out impairment assessment on the entire carrying amount of its interest in an associate as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its entire carrying amount. In determining the value in use of the interest in an associate, the Group has engaged an independent valuer, Vincorn Consulting and Appraisal Limited, to carry out a valuation of the interest in an associates as at 31 December 2019 by using the value-in-use model by reference to the estimation of future cash flows covering a three-year period expected to be generated from the associate. The key assumptions included a three-year cash flows of which revenue is expected to be recognised by the associate in early 2021 upon completion of the associate's property development project and discount rate of 10.17% to discount the cash flow projections to net present value. Based on the assessment, the entire carrying amount of investment in an associate is below its recoverable amount. Hence, impairment against the Group's interest in an associate is considered necessary.

As at 31 December 2019, the carrying amount of the Group's interest in an associate of approximately HK$232,122,000 was lower than its fair value of approximately HK$206,001,000. An impairment loss of approximately HK$26,121,000 was recognised accordingly.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 HK$'000	31 December 2018 HK$'000
Unlisted equity investments (note)	**31,615**	–

Note:

During the year, 舟山銘泰物業管理有限公司 (Zhoushan Mingtai Property Management Co., Ltd.*) ("Zhoushan Mingtai"), an indirect wholly-owned subsidiary of the Group, entered into a Limited Partnership Agreement ("LP Agreement") to subscribe, as a limited partner, in the total amount of RMB42,500,000 (equivalent to approximately HK$47,445,000) for the registered capital of an investment entity which is independent of the Company. The timing of capital contribution of the investment is due on or before 1 January 2050. The investment entity is principally engaged in investment management and equity investments, Zhoushan Mingtai is a limited partner of the investment entity and does not have control nor significant influence in the operational and financing decisions of the investment entity. As at 31 December 2019, the Group had invested RMB29,840,000 (equivalent to approximately HK$33,312,000) to the investment entity, the outstanding capital contribution commitment amounted to RMB12,660,000 (equivalent to approximately HK$14,133,000).

As at 31 December 2019, the fair value of financial assets at fair value through profit or loss is RMB28,320,000 (equivalent to approximately HK$31,615,000). Fair value loss of financial assets at fair value through profit or loss of RMB1,520,000 (equivalent to approximately HK$1,730,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

21. PROPERTIES FOR SALE

	31 December 2019 HK$'000	31 December 2018 HK$'000
Properties under development (note (a))	**819,203**	–
Completed properties (note (b))	**23,914**	–
	843,117	–

Notes:

(a) At 31 December 2019, properties under development with an aggregate carrying amount of approximately HK$819,203,000 (31 December 2018: Nil) were pledged to a financial institution in the PRC as collateral of the Group's other borrowings.

(b) At 31 December 2019, certain completed properties within an aggregate carrying amount of approximately HK$21,110,000 (31 December 2018: Nil) were pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	31 December 2019 HK$'000	31 December 2018 HK$'000
Rental receivables	(i)	**1,247**	1,784
Property project management service receivables	(ii)	**4,630**	3,957
		5,877	5,741
Less: allowance for credit losses		**(22)**	–
		5,855	5,741
Prepaid construction costs		**167,583**	–
Security deposit for financing arrangements	(iii)	**5,006**	–
Deposit paid for acquisition of a land parcel	(iv)	**194,010**	–
Deposit paid for acquisition of a subsidiary, net of allowance for credit losses	(v)	**71,277**	–
Other receivables, deposits and prepayments, net of allowance for credit losses	(vi)	**28,494**	2,131
		472,225	7,872

(i) The amount represents rental receivables for leasing of investment properties.

The Group maintains a defined and restricted credit policy to assess the credit quality of each counterparty or tenant. The collection is closely monitored to minimise any credit risk associated with these rental receivables. The rental receivables are payable in advance by tenants.

No allowance for credit loss is provided for rental receivables as at 31 December 2019 and 2018.

The ageing analysis of the Group's rental receivables is as follows:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
0-30 days	**559**	1,784
31 to 60 days	**473**	–
61 to 90 days	**214**	–
91 to 180 days	**1**	–
	1,247	1,784

Rental receivables that were past due but not impaired relate to a number of independent tenants that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

(ii) The project management fee shall be payable within 12 days from end of each quarter. The ageing analysis of the Group's property project management service receivables net of allowance of credit losses presented based on the invoice dates, is as follows:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
0-30 days	**–**	3,957
31-60 days	**–**	–
61-90 days	**2,121**	–
90-180 days	**2,487**	–
	4,608	3,957

(iii) The amounts are deposited in a financial institution for securing the other borrowings of the Group. Such deposits will be refunded to the Group upon final repayments of the respective other borrowings.

(iv) The amount represents deposit paid to 杭州市規劃和自然資源局臨安分局 (Lin'an Branch of Hangzhou Planning and Natural Resources Bureau*) for acquisition of a parcel of land located at Lin'an District, Hangzhou City, Zhejiang Province, the PRC, at a cash consideration of RMB347,580,000 (equivalent to approximately HK$388,020,000).

(v) The amount represents payment of RMB66,800,000 (equivalent to approximately HK$74,572,000) as consideration to Foshan Sansheng for the Hotel Acquisition. The amount net of allowance for credit losses was approximately RMB63,849,000 (equivalent to approximately HK$71,277,000). The latest date for fulfillment of conditions precedent to the completion of the Hotel Acquisition under the Agreement was extended to 30 June 2020 pursuant to an agreement in writing dated 31 December 2019.

(vi) The amount included amounts due from related companies of approximately HK$72,000 (31 December 2018: Nil)

(vii) Details of assessment on the ECL was described in note 41(i) of the consolidated financial statements.

23. CASH AND BANK BALANCES

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and bank balances. Cash and cash equivalents at the end of the Reporting Period as shown in the consolidated statement of cash flow can be reconciled to the related items in the consolidated statement of financial position as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Cash and bank balances	**105,947**	671,090
Time deposits	**100,000**	343,931
	205,947	1,015,021

Cash and bank balances comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.01% to 2.40% (31 December 2018: 0.01% to 2.73%) per annum and have original maturity of three months or less.

At 31 December 2019, the cash and bank balances of the Group included currencies denominated in RMB amounted to approximately HK$22,133,000 (31 December 2018: HK$9,101,000).

24. TRADE AND OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Trade payables (note (a))	**37,406**	–
Rental deposits received	**11,851**	11,505
Contract liabilities (note (b))	**40,993**	–
Other payables and accrued expenses (note (c))	**45,992**	3,948
	136,242	15,453
Advance rental received	**295**	946
	136,537	16,399
Less: Non-current portion of other payables and deposits	**(7,494)**	(8,240)
Current portion	**129,043**	8,159

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24. TRADE AND OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES (Continued)

Notes:

(a) Ageing analysis of trade payables presented based on the invoice dates, is as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
0-30 days	**29,479**	–
31-90 days	**1,896**	–
91-180 days	**2,659**	–
181-365 days	**2,709**	–
More than 365 days	**663**	–
	37,406	–

(b) Contract liabilities represent proceeds received from pre-sale of properties at the end of the Reporting Period.

(c) The amount included amounts due to related companies of approximately HK$1,065,000 (31 December 2018: Nil).

25. BANK AND OTHER BORROWINGS

	31 December 2019 HK$'000	31 December 2018 HK$'000
Bank loans	**1,040,371**	839,870
Other loans, secured	**550,569**	–
	1,590,940	839,870
Less: Current portion	**(591,750)**	(25,710)
Non-current portion	**999,190**	814,160
The carrying amount of the above bank and other borrowings are repayable as follows:		
On demand or within one year	**591,750**	25,710
Within a period of more than one year but within two years	**41,202**	25,710
Within a period of more than two years but within five years	**957,988**	788,450
	1,590,940	839,870
Less: Amounts due within one year shown under current liabilities	**(591,750)**	(25,710)
Amounts shown under non-current liabilities	**999,190**	814,160

The bank and other borrowings are secured by the Group's assets which were set out in note 37 of the consolidated financial statements.

25. BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2019, the Group's bank borrowings of approximately HK$1,040,371,000 (31 December 2018: HK$839,870,000) bear floating interest rate at HIBOR plus a fixed margin rate of 1.25% to 2% per annum (31 December 2018: floating interest rate as HIBOR plus a fixed margin rate of 1.25% plus annum). As at 31 December 2019, the Group's other borrowings of approximately HK$550,569,000 (31 December 2018: Nil) bear fixed interest rates ranging from 8% to 23% per annum.

Details of pledge of assets and corporate guarantees of the Group were set out in notes 37 and 46 of the consolidated financial statements respectively.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2019 HK$'000	31 December 2018 HK$'000
Current assets:		
Derivative financial asset component of convertible notes (note 27)	**89**	728

27. CONVERTIBLE NOTES

The Company issued in aggregate of HK$125,000,000 1.68% convertible notes on 7 December 2015 (the "Issue Date") and recognised its book as of fair values appraised by BMI Appraisals Limited, an independent financial valuer. The convertible notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the convertible notes and their settlement date on (i) the fifth anniversary of the Issue Date or (ii) if it is not a business date, the first business day immediately following the fifth anniversary date of the Issue Date (the "Maturity Date") at a conversion price of HK$0.934 per share per convertible note. With effect from 24 August 2017, being the date immediately after the record date for determining the entitlement to the final dividend for the year ended 31 March 2017, the conversion price of the convertible notes was adjusted to HK$0.802 per conversion share in accordance with the terms and conditions of the convertible notes. If the convertible notes have not been converted, they will be redeemed by the Company on the Maturity Date at the aggregate of (i) its principal amount outstanding as at the Maturity Date; and (ii) all interest accrued thereon up to and including the Maturity Date. Interest of 1.68% will be payable by the Company on the Maturity Date.

The Company shall have the right to redeem the convertible notes, in full or in part (provided that in the case of a partial redemption the aggregate principal amount of the convertible notes being redeemed shall be at least HK$3,000,000 or above), held by the noteholder at an amount equal to the aggregate of (a) the aggregate principal amount of the convertible notes held by such noteholder being the subject of the redemption (the"Redeemed Principal"); and (b) all interest accrued thereon up to and including the date of such redemption at any time on or after the first month from the Issue Date by giving a redemption notice setting out the Redeemed Principal, the redemption amount and the early redemption date to such noteholder not less than five business days prior to the early redemption date. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The convertible notes contain three components: liability component, equity component and redemption option derivative, which is classified as derivative financial asset component. The equity component is presented in equity heading "convertible notes equity reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 13.73% per annum.

27. CONVERTIBLE NOTES (Continued)

The key inputs used for the calculation of the fair value of redemption option derivative component of convertible notes are as follows:

	At 31 December 2019	At 31 December 2018
Risk-free rate	**1.85%**	1.82%
Expected life	**0.94 years**	1.94 years
Expected volatility	**62.07%**	56.38%
Expected dividend yield	**0%**	7.97%

The movement of the equity component, liability component and redemption option derivative of the convertible notes for the year/period is set out below:

	Liability component HK$'000	Equity component HK$'000	Redemption option derivative component HK$'000	Total HK$'000
At 1 April 2018	8,037	5,619	(19)	13,637
Effective interest charged (note 10)	864	–	–	864
Interest payable	(140)	–	–	(140)
Change in fair value of derivative financial asset component of convertible notes (note 8)	–	–	(709)	(709)
At 31 December 2018 and 1 January 2019	8,761	5,619	(728)	13,652
Effective interest charged (note 10)	1,269	–	–	1,269
Interest payable	(185)	–	–	(185)
Change in fair value of derivative financial asset component of convertible notes (note 8)	–	–	639	639
At 31 December 2019	**9,845**	**5,619**	**(89)**	**15,375**

As at 31 December 2019, the outstanding principal of the convertible notes was HK$11,000,000 (31 December 2018: HK$11,000,000).

28. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Deferred tax assets	**6,970**	–
Deferred tax liabilities	**(11,026)**	(10,671)
	(4,056)	(10,671)

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year/period were as follows:

	Deferred tax liabilities			Deferred tax assets			
	Depreciation allowances in excess of the related depreciation HK$'000	Convertible notes HK$'000	Total HK$'000	Tax loss HK$'000	ECL provision HK$'000	Total HK$'000	Total HK$'000
At 1 April 2018	(9,685)	(489)	(10,174)	–	–	–	(10,174)
(Charged)/credited to the consolidated statement of profit or loss and other comprehensive income (note 13)	(617)	120	(497)	–	–	–	(497)
At 31 December 2018 and 1 January 2019	(10,302)	(369)	(10,671)	–	–	–	(10,671)
Acquisition of subsidiaries (note 34)	–	–	–	4,370	–	4,370	4,370
(Charged)/credited to the consolidatetd statement of profit or loss and other comprehensive income (note 13)	(534)	179	(355)	2,208	654	2,862	2,507
Exchange realignment	–	–	–	(250)	(12)	(262)	(262)
At 31 December 2019	**(10,836)**	**(190)**	**(11,026)**	**6,328**	**642**	**6,970**	**(4,056)**

At the end of the reporting period, the Group has unused tax losses of approximately HK$82,803,000 (31 December 2018: approximately HK$49,330,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$25,313,000 (31 December 2018: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK$57,490,000 (31 December 2018: approximately HK$49,330,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$25,313,000 (31 December 2018: Nil) that will expire in 2024. Other losses may be carried forward indefinitely.

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29. SHARE CAPITAL

	Number of shares		Amount	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	Number '000	Number '000	**HK$'000**	HK$'000
Authorised:				
Ordinary of shares of HK$0.1 each				
At 1 January 2019/1 April 2018 and at 31 December 2019/31 December 2018	**2,000,000**	2,000,000	**200,000**	200,000
Issued and full paid:				
Ordinary shares of HK$0.1 each				
At 1 January 2019/1 April 2018 and at 31 December 2019/31 December 2018	**1,125,027**	1,125,027	**112,502**	112,502

30. RESERVES

Nature of reserves

Special reserve

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary's shares and the nominal value of the shares issued by the Company in exchange thereof under the Group reorganisation in April 2000.

Exchange reserve

Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(xvi)

Convertible notes equity reserve

The convertible notes equity reserve represents the equity component (conversion rights) of convertible notes issued by the Company. If the convertible notes are not converted at the maturity date, the convertible notes equity reserve will be reclassified subsequently to profit or loss.

Contribution from shareholders

The contributions from shareholders represent the aggregation of discount on acquisitions of an indirect wholly-owned subsidiary, Uptodate with the amount of approximately HK$233,606,000 from the former controlling shareholder – Mr. Ng Chun For, Henry.

During the Reporting Period, Uptodate was dissolved and its attributable contributions from shareholder of approximately HK$233,606,000 were transferred to retained profits.

31. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following significant commitments:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Contracted, but not provided for:		
Construction and land development expenditure in respect of properties under development classified as held for sale	**212,498**	–
Consideration for acquisition of a land parcel (note 22 (iv))	**194,010**	–
Capital contribution to a limited partnership (note 20)	**14,133**	–
	420,641	–

32. SHARE-BASED PAYMENT TRANSACTIONS

The Company has adopted a share option scheme which was approved by the shareholders of the Company at the Annual General Meeting ("AGM") held on 3 September 2013 (the "Share Option Scheme") upon the share option scheme, which was previously adopted on 3 September 2003 and lapsed on 2 September 2013.

The primary purpose of the Share Option Scheme is to provide incentives to participants (as defined including but not limited to (a) any employees; (b) any supplier of goods or services to any member of the Group; (c) any customer of the Group; and (d) any director or independent non-executive director and/or shareholder of the Company and/or any member of the Group) who has contribution to the Group and to enable the Group to recruit and retain high caliber employees.

At the time of adoption by the Company of the share option scheme, the aggregate number of shares which may be issued upon the exercise of all options to be granted by the Company under the share option scheme and any other share option scheme(s) adopted by the Company must not exceed 10% of the total number of issued shares of the Company as at the date of shareholders' approval of the share option scheme. The Company may refresh such limit by an ordinary resolution of its shareholders at a general meeting provided that the limit so refreshed does not exceed 10% of the then total number of issued shares of the Company as at the date(s) of the shareholders' approvals. Notwithstanding the foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued shares of the Company from time to time.

Unless approved by the shareholders of the Company in general meeting, the total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted (whether exercised, cancelled or outstanding) under the share option scheme and any other share option scheme(s) of the Company to any eligible person in any 12-month period up to and including the date of further grant shall not exceed 1% of the total number of the Company's shares in issue from time to time.

The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the AGM held on 24 August 2018. The total number of issued shares of the Company as at 24 August 2018 was 1,125,027,072 and thus the maximum number of Shares allowed to be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 112,502,707 shares which represented 10% of the total number of issued shares as at 24 August 2018.

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the board of directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

At the beginning of the financial year on 1 January 2019, there was no outstanding share option. There is no movement in the share options granted to the directors, employees of the Company and other eligible participants under the Share Option Scheme during the year ended 31 December 2019 and nine month ended 31 December 2018. As at 31 December 2019, there was no outstanding share option under the Share Option Scheme.

33. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes HK$1,500 or 5% of the relevant payroll costs, whichever is lower for each employee, to the scheme, which contribution is matched by employees.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiaries operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The Group's contribution to aforementioned retirement benefits schemes for the year ended 31 December 2019 amounted to in aggregate of approximately HK$1,528,000 (for the nine months ended 31 December 2018: approximately HK$309,000).

34. ACQUISITION OF SUBSIDIARIES

On 9 December 2018, Agile Scene entered into a sale and purchase agreement with Sansheng BVI, pursuant to which Agile Scene agreed to purchase and Sansheng BVI agreed to sell the entire issued share capital of High Morality at a cash consideration of RMB194,900,000 (equivalent to approximately HK$222,200,000). High Morality is an investment holding company and indirectly holds 100% equity interest in 鎮江天工頤景園房地產有限公司 (Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.*), which is engaged in property development in Zhenjiang City, Jiangsu Province, the PRC. The acquisition was completed on 1 March 2019 and High Morality became an indirect wholly-owned subsidiary of the Company.

The acquisition of High Morality has been accounted for as an acquisition of assets and liabilities as High Morality Group does not constitute a business upon the completion of acquisition. The acquisition does not give rise to goodwill or bargain purchase gain.

The identifiable assets acquired and liabilities assumed are as follows:

	HK$'000
Property, plant and equipment	50
Deferred tax assets	4,370
Properties for sale	710,472
Right-of-use assets	1,403
Other receivables, deposits and prepayments	21,233
Cash and bank balances	428
Trade and other payables, deposits and accrued expenses	(39,750)
Lease liabilities	(1,493)
Amounts due to related companies	(172,290)
Other borrowings	(291,218)
Net assets acquired	233,205
Satisfied by:	
Cash consideration	233,205
Acquisition consideration settled in cash	229,787
Expenses incurred for the acquisition	3,418
	233,205
Less: Cash and bank balances acquired	(428)
Net cash outflows	232,777

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35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities HK$'000 (Note 17)	Bank and other borrowings HK$'000 (Note 25)	Amount due to related companies HK$'000	Total HK$'000
At 31 December 2018	–	839,870	–	839,870
Impact on initial application of HKFRS 16 (note)	888	–	–	888
At 1 January 2019	888	839,870	–	840,758
Change from financing cash flows:				
New bank and other borrowings raised	–	544,469	–	544,469
Repayment of bank borrowings	–	(67,620)	–	(67,620)
Advanced from related parties	–	–	125,795	125,795
Repayment to related parties	–	–	(291,943)	(291,943)
Payment of lease liabilities	(1,597)	–	–	(1,597)
Interest expenses paid	–	(76,804)	–	(76,804)
Total changes from financing cash flows	(1,597)	400,045	(166,148)	232,300
Other changes:				
Acquisition of subsidiaries (note 34)	1,493	291,218	172,290	465,001
Interest on lease liabilities	190	–	–	190
Interest on bank and other borrowings	–	78,613	–	78,613
Termination of lease during the year	(470)	–	–	(470)
Lease modification	4,091	–	–	4,091
Transfer to other payables	–	(565)	–	(565)
Exchange realignment	(65)	(18,241)	(5,077)	(23,383)
Total other changes	5,239	351,025	167,213	523,477
At 31 December 2019	4,530	1,590,940	1,065	1,596,535

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See note 4(xiii).

36. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following material related party transactions:

(a) During the year ended 31 December 2019 and nine months ended 31 December 2018, the Group entered into the following material related party transactions:

Related party relationship	Type of transactions	**Year ended 31 December 2019 HK$'000**	Nine months ended 31 December 2018 HK$'000
Companies that are members of Shanghai Sansheng (note (i))	Property project management services income		
– 博羅縣翠華達房地產有限公司 (Boluo Xian Cuihuada Property Limited*) ("Cuihuada Property") (note (ii))		**701**	1,387
– 鶴山市萬城房地產發展有限公司 (Heshan Wancheng Property Development Limited*) ("Wancheng Property") (note (ii))		**1,418**	695
– 佛山市萊福利房地產開發有限公司 (Foshan Laifuli Property Development Limited*) ("Laifuli Property") (note (ii))		**1,425**	719
– 佛山茂國房地產開發有限公司 (Foshan Maogao Property Development Limited*) ("Maogao Property") (note (ii))		**2,253**	1,031
		5,797	3,832
Shanghai Sansheng (note (ii))	Royalty fee paid	**1,138**	–
A company that is a non wholly–owned subsidiary of Shanghai Sansheng – 上海鈺景園林股份有限公司 (Shanghai Yujingyuanlin Holdings Limited*) ("Shanghai Yujingyuanlin") (note (ii))	Fees paid for provision of garden landscape design consultancy services	**106**	–
	Construction contract costs	**126**	–

The above transactions were conducted on terms and conditions mutually agreed between the relevant parties.

Notes:

(i) Shanghai Sansheng controlled 100% of the voting power of Sansheng Hongye, Mr. Chen Jianming controlled approximately 81.58% of the voting power of Shanghai Sansheng (comprising approximately 41.45% direct interests in Shanghai Sansheng and approximately 40.13% indirect interests in Shanghai Sansheng controlled through Sansheng Real Estate (Sansheng Real Estate controls approximately 40.13% of the equity interest in Shanghai Sansheng)). Accordingly, Sansheng Real Estate, Shanghai Sansheng and Mr. Chen Jianming were deemed to be interested in shares and underlying shares of the Company held by Sansheng Hongye. Ms. Chen Yanhong, as the spouse of Mr. Chen Jianming, was deemed to be interested in the shares and underlying shares of the Company, which Mr. Chen Jianming was interested.

(ii) These related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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36. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Amounts due from:		
滁州三盛房地產開發有限公司 (Chuzhou Sansheng Property Development Limited*) ("Chuzhou Sansheng") (note (i))	**55**	–
Sansheng Real Estate	**17**	–
	72	–
Amounts due to:		
Sansheng BVI (note (ii))	**28**	–
Shanghai Sansheng	**2**	–
Sansheng Real Estate	**327**	–
Gobal International Investment Limited (note (iii))	**29**	–
Chuzhou Sansheng (note (iv))	**670**	–
上海銘乾投資管理諮詢有限公司 (Shanghai Mingqian Investment Management Consultancy Limited*) (note (v))	**9**	–
	1,065	–
Trade receivables:		
Maogao Property	**1,642**	1,064
Laifuli Property	**1,181**	742
Wancheng Property	**1,227**	718
Cuihuada Property	**558**	1,433
	4,608	3,957
Trade payables:		
Shanghai Yujingyuanlin	**963**	–

Notes:

(i) A wholly-owned subsidiary of Shanghai Sansheng.

(ii) Sansheng BVI is an indirect wholly-owned subsidiary of Shanghai Sansheng, through Sansheng Hongye. Mr. Fan Xuerui, an executive director of the Company, is also a director of Sansheng BVI.

(iii) Mr. Chen Jianming is a director of Gobal International Investment Limited.

(iv) A wholly-owned subsidiary of Shanghai Sansheng.

(v) A non-wholly-owned subsidiary of Shanghai Sansheng.

The above balances are unsecured, interest-free and has no fixed terms of repayment.

Other than the above balances with related parties and those disclosed elsewhere in the consolidated financial statements, the Group had no material outstanding balances with related parties at the end of the Reporting Period.

36. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) The Group's secured borrowings of RMB448,400,000 (equivalent to approximately HK$500,569,000) were secured by (i) the stock of properties under development in PRC with an aggregate carrying amount of approximately HK$819,203,000; (ii) pledge of the entire equity interest in Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.*; (iii) guarantee by Shanghai Sansheng; (iv) personal guarantee by Mr. Chen Jianming; and (v) security deposits of RMB4,484,000 (equivalent to approximately HK$5,006,000).

(d) Key management personnel remuneration represents amounts paid to the Company's directors and the highest paid employees as disclosed in notes 11 and 12 respectively.

37. PLEDGE OF ASSETS

As at 31 December 2019, the Group has pledged the following assets:

(1) investment properties in Hong Kong with an aggregate carrying amount of HK$1,921,600,000 (31 December 2018: HK$1,655,000,000) for securing the Group's bank and certain other borrowings;

(2) share mortgage of certain subsidiaries for securing their respective bank borrowings;

(3) rent assignments in respect of the investment properties;

(4) properties for sale under development with an aggregate carrying amount of approximately HK$819,203,000 (31 December 2018: Nil) and the entire equity interest in a subsidiary for securing other borrowings amounted to RMB448,400,000 (equivalent to approximately HK$500,569,000) from Shanghai Aijian;

(5) properties for sale – completed properties with an aggregate carrying amount of approximately HK$21,110,000 (31 December 2018: Nil) pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties; and

(6) entire equity interests in certain subsidiaries for securing the Company's other borrowing which amounted to HK$50,000,000 from a financial institution, China Cinda (HK) Asset Management Co., Limited.

38. EVENTS AFTER THE REPORTING PERIOD

Renewal of loan facilities

As disclosed in the announcement of the Company dated 14 February 2020 and the circular of the Company dated 21 April 2020, on 13 February 2020, 上海岳信企業管理咨詢有限公司 (Shanghai Yuexin Enterprise Management Consultancy Co., Ltd.*) ("Shanghai Yuexin"), 鎮江天工頤景園房地產有限公司(Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.*), ("Zhenjiang Tiangong"), 舟山銘義文化產業投資有限公司 (Zhoushan Mingyi Cultural Assets Investment Co., Ltd*) ("Zhoushan Mingyi"), all being indirect wholly-owned subsidiaries of the Company, and Shanghai Aijian entered into an agreement (the "Renewal Agreement"), pursuant to which Shanghai Aijian agreed to renew the loan facilities granted by Shanghai Aijian to Shanghai Yuexin and Zhenjiang Tiangong (the "Facilities") on the following principal terms:

(i) the availability period of the Facilities and the final maturity date of the loans drawn down from the Facilities by the Group (the "Loans") shall be extended by 12 months to 13 February 2021;

(ii) Shanghai Yuexin and Zhenjiang Tiangong shall settle the interest accrued on the Loans up to 12 February 2020 of approximately RMB10.3 million on the date of the Renewal Agreement and the interest rates of the Facilities shall be revised to 15% per annum with effect from 13 February 2020; and

38. EVENTS AFTER THE REPORTING PERIOD (Continued)

Renewal of loan facilities (Continued)

(iii) Zhoushan Mingyi shall complete the disposal of its entire equity interest in 杭州銘倫實業有限公司 (Hangzhou Minglun Industrial Co., Ltd.*) ("Hangzhou Minglun") on or before 13 May 2020 (the "Possible Disposal"). Hangzhou Minglun is a company wholly-owned by Zhoushan Mingyi and has an interest in Lin'an Land.

Pursuant to the Renewal Agreement, the renewal of the Facilities is subject to, among other things, Shareholders' approval. In the event that the Company fails to obtain the Shareholders' approval for the Possible Disposal or in the event that Zhoushan Mingyi fails to complete the Possible Disposal on or before 13 May 2020, Zhoushan Mingyi shall within ten business days of the failure (whichever is the earlier) charge its entire equity interest in Hangzhou Minglun and its receivables under the shareholder's loan due from Hangzhou Minglun in the amount of approximately RMB23.9 million in favour of Shanghai Aijian as security for the Loans of up to RMB85.0 million.

Mandatory unconditional cash offer

As disclosed in the announcement of the Company dated 6 April 2020, the Company received a notice from Cinda International Capital Limited and Donvex Capital Limited, the joint financial advisers of the Security Agent that the Security Agent will, via Offeror make a mandatory general offer in cash (the "Offer") for all the issued ordinary shares of the Company other than those already owned or agreed to be acquired by the Security Agent and parties acting in concert with it. The details of the terms of the Offer is set out in the announcement dated 3 April 2020 and the offer document dated 29 April 2020 issued by the Offeror.

Disposal of Hangzhou Minglun

As disclosed in the announcement of the Company dated 7 April 2020, Zhoushan Mingyi, being the vendor, Hangzhou Minglun and 東投地產集團有限公司 (Dongtou Property Group Co. Ltd.*) ("Dongtou"), being the purchaser, entered into a conditional sale and purchase agreement (the "Disposal Agreement") on 7 April 2020 in relation to the proposed sale of the 100% equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest (including but not limited to the right to receive repayment of the entire shareholder's loan owed by Hangzhou Minglun to the Group) to be sold by Zhoushan Mingyi to Dongtou. The disposal is subject to, among other things, Shareholders' approval.

39. CONTINGENT LIABILITIES

Under the agreement for sale and purchase of share in and debts owed by Seedtime International Limited ("Seedtime") signed among the Company, Rose City Group Limited ("Rose City", an indirect wholly-owned subsidiary of the Company) and Prime Magic Holdings Limited ("Prime Magic") on 13 July 2017 ("Seedtime Agreement"), the Company acts as guarantor in favour of Prime Magic for the disposal of entire issued share capital of Seedtime, which was completed on 13 December 2017 ("Completion Date").

The Company irrevocably and unconditionally guarantees to Prime Magic the due and punctual observance and performance by Rose City of all its obligations undertaken in the agreement and Rose City's warranties; and has undertaken that if for any reason Rose City fails to observe or perform any of such obligations and/or is in breach of any Rose City's warranties, it shall on demand observe or perform or procure Rose City to observe or perform the same in respect of which Rose City shall be in default and make good to Prime Magic and indemnify and hold harmless Prime Magic against all reasonable losses, damages, costs and expenses arising or incurred by Prime Magic as a result of such non-observance or non-performance.

Under the Seedtime Agreement, no claim shall be made against Rose City and/or the Company in respect of any breach of Rose City's warranties unless written notice thereof shall have been given by Prime Magic to Rose City within two years from the Completion Date (i.e. 13 December 2019).

There was no relevant claims reported as at 31 December 2018 and up to 13 December 2019.

Save as disclosed aforesaid and elsewhere in the consolidated financial statements, the Group did not have any significant contingent liabilities as at 31 December 2019 and 2018.

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40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts (which includes bank and other borrowings and convertible notes), cash and bank balances and equity attributable to equity holders of the Company.

The Group's risk management actively and regularly reviews the capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio, expressed as total liabilities over total assets, at the end of the reporting period was as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Total assets	**3,739,456**	2,973,426
Total liabilities	**1,756,162**	877,118
Gearing ratio	**47.0%**	29.5%

41. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

(i) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade and other receivables and deposits and amount due from an associate. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group applies with simplified approach to provide for ECLs presented by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and ECL.

Rental receivables

In order to minimise the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting any new tenants, no credit period is granted to tenants. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

41. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

Rental receivables (Continued)

As part of the Group's credit risk management, the Group assessed the ECL for each of the rental receivable individually. No impairment allowance for the remaining rental receivables was provided since the loss given default and exposure at default are significantly reduced as due to the low probability of default of those receivables based on historical credit loss experience and rental deposits received from those tenants. The directors of the Company have also considered reasonable and supportable best information available without undue cost or effort including historical evidences and forward looking information, such as, but not limited to, subsequent settlement, and concluded that there is no significant increase in credit risk.

As at 31 December 2019 and 31 December 2018 the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Further quantitative disclosure of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

Property project management service receivables

At the end of the Reporting Period and as at December 2018, the receivables from property project management services are contributed by four customers and the largest property project management service receivable attributable to the Group's property project management service receivables was approximately 35.6% (31 December 2018: 36.2%). The customers are located in the PRC.

Impairment loss of approximately HK$22,000 was made for property project management service receivables as disclosed in note 22. The director has made periodic collective assessments as well as individual assessment on the recoverability of the receivables based on historical settlement records, past experience and available forward-looking information.

Other receivables and deposits

In relation to other receivables and deposit paid for acquisition of a subsidiary, the Group has assessed that the expected credit losses for these receivables under the lifetime expected losses method. Impairment loss of approximately HK$5,974,000 was made. The Group performs impairment assessment on the balances on a periodic basis. In determining the ECL of other receivables and deposit paid for acquisition of a subsidiary, the Group has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort.

Amount due from an associate

In relation to amount due from an associate, the Group estimates the ECL under HKFRS 9 ECL models. In assessing whether the credit risk of amount due from an associate has increased significantly since initial recognition, the Group consider that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

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41. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

Cash and bank balances

Credit risk on bank balances is limited because the amounts are placed in reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12-month ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECL on bank balances is considered to be insignificant.

Other than concentration of credit risk on liquid fund which are deposited with several banks with high credit ratings and save as disclose elsewhere in the financial statements, the Group does not have any other significant concentration of credit risk.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2019	Gross carrying amount				
	12-month ECLs	Lifetime ECLs		Simplified	Loss
	Stage 1	Stage 2	Stage 3	approach	allowance
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other receivables and deposits	**–**	**98,855**	**–**	**5,877**	**5,996**
Amount due from an associate	**–**	**54,154**	**–**	**–**	**9,457**
	–	**153,009**	**–**	**5,877**	**15,453**

At 31 December 2018	Gross carrying amount				
	12-month ECLs	Lifetime ECLs		Simplified	Loss
	Stage 1	Stage 2	Stage 3	approach	allowance
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other receivables and deposits	–	–	–	7,125	–

41. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

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 loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The following tables detail the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Non-derivative financial liabilities					
31 December 2019					
Bank and other borrowings	**1,590,940**	**1,728,108**	**642,353**	**365,212**	**720,543**
Convertible notes	**9,845**	**11,000**	**11,000**	**–**	**–**
Trade and other payables, deposits and accrued expenses	**65,724**	**65,724**	**58,230**	**7,494**	**–**
Lease liabilities	**4,530**	**4,735**	**1,821**	**2,914**	**–**
	1,671,039	**1,809,567**	**713,404**	**375,620**	**720,543**
31 December 2018					
Bank borrowings	839,870	961,243	55,245	54,328	851,670
Convertible notes	8,761	11,000	–	–	11,000
Other payables, accruals and rental deposits received	14,766	14,766	6,526	8,240	–
	863,397	987,009	61,771	62,568	862,670

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41. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

The following table details the interest rate profile of the Group's net borrowings at the end of the Reporting Period:

	31 December 2019		31 December 2018	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Net variable rate borrowings				
Bank borrowings	**(note)**	**1,040,371**	(note)	839,870
Bank balances (include time deposits)	**0.01% to 2.40%**	**(205,947)**	0.01% to 2.73%	(1,015,021)
		834,424		(175,151)

Note: Details of the Group's bank borrowings are set out in note 25 to the consolidated financial statements.

At 31 December 2019, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation by approximately HK$8,344,000 (31 December 2018: decrease/increase profit after taxation by approximately HK$1,752,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the nine months ended 31 December 2018.

41. FINANCIAL RISK MANAGEMENT (Continued)

(iv) Currency risk

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

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

	Assets		Liabilities	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**160,822**	13,357	**550,690**	440
United States Dollars ("USD")	**295**	291	**–**	–

Sensitivity analysis

As Hong Kong Dollars are pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the Hong Kong Dollars to USD exchange rates. As a result, the directors consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between Hong Kong Dollars to USD is minimal.

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

The following table details the Group's sensitivity to a 5% (31 December 2018: 5%) increase and decrease in Hong Kong Dollars against RMB. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit or equity where the Hong Kong Dollars strengthen 5% (31 December 2018: 5%) against RMB. For a 5% (31 December 2018: 5%) weakening of the Hong Kong Dollars against RMB, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

	Impact of RMB	
	31 December 2019	31 December 2018
	HK$'000	HK$'000
Profit or loss (note)	**19,493**	646

Note:

This is mainly attributable to the exposure outstanding on monetary items denominated in RMB not subject to cash flow hedge at the end of the reporting period.

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41. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2019 HK$'000	Fair value as at 31 December 2018 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Derivative financial asset component of convertible notes	**89**	728	Level 3	The binomial option pricing model	Risk-free rate adopted was 1.85% (31 December 2018: 1.82%). Expected volatility of 62.07% (31 December 2018: 56.38%).
Financial assets at fair value through profit or loss	**31,615**	–	Level 3	Net asset value	N/A (note)

Note:

The Group has determined that the net asset value represents fair value at the end of the Reporting Period.

Fair value hierarchy as at 31 December 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Derivative financial asset component of convertible notes	**–**	**–**	**89**	**89**
Financial assets at fair value through profit or loss	**–**	**–**	**31,615**	**31,615**

Fair value hierarchy as at 31 December 2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Derivative financial asset component of convertible notes	–	–	728	728

There were no transfers between Level 1 and 2 during the year.

41. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments (Continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities are determined as follows:

a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

	31 December 2019		31 December 2018	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**9,845**	**10,994**	8,761	9,493

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

41. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments (Continued)

(iii) Reconciliation of Level 3 fair value measurements

	Derivative financial asset component of convertible notes HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
At 1 April 2018	19	–	19
Fair value change	709	–	709
At 31 December 2018 and 1 January 2019	728	–	728
Purchases	–	33,345	33,345
Fair value change	(639)	(1,730)	(2,369)
At 31 December 2019	**89**	**31,615**	**31,704**

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2019 and 2018 are categorised as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Financial assets		
At amortised cost		
Loan and receivables (including cash and bank balances)	**349,380**	1,022,146
Derivative financial instruments	**89**	728
Financial assets at fair value through profit or loss	**31,615**	–
Financial liabilities		
Financial liabilities measured at amortised cost	**1,671,039**	863,397

43. NON-CASH TRANSACTIONS

The Group entered into the following major non-cash transactions which are not reflected in the consolidated statement of cash flows:

During the year, Uptodate Management Limited, an indirect wholly-owned subsidiary was dissolved and its attributable contributions from shareholders of approximately HK$233,606,000 were released to retained profits.

During the year, the Group entered into new lease agreements for the use of leased properties for 3 years. On the lease commencement, the Group recognised right-of-use assets of approximately HK$4,091,000 and lease liabilities of HK$4,091,000 respectively.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2019 were as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity interests attributable to the Company/ proportion of voting power held by the the Company		Principal activities
			Direct	Indirect	
New Treasure Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
Zhongchang International Holdings Management Limited	Hong Kong	Ordinary HK$1	100%	–	Provision of administration services to group companies
Rose City Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Max Act Enterprises Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Sharp Wonder Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity interests attributable to the Company/ proportion of voting power held by the the Company		Principal activities
			Direct	Indirect	
Capital Garden Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Top Bright Properties Limited	Hong Kong	Ordinary HK$9,999 Deferred share HK$1 (Note 1)	–	100%	Property investment
Wingplace Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Smart Land Properties Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment
Joy Depot Limited	The British Virgin Islands /Hong Kong	Ordinary US$1	–	100%	Investment holding
Bond Victory Limited	Hong Kong	Ordinary HK$5,000	–	100%	Property investment
Pioneer Delight Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Top Grade Properties Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment
Wealth Properties Limited	Hong Kong	Ordinary HK$100	–	100%	Property investment
New Headland Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
Crystal City Global Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity interests attributable to the Company/ proportion of voting power held by the the Company Direct	Indirect	Principal activities
Perfect Shield Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Red Ribbon Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
China Charter Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
Agile Scene Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Powell View Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
浙江自貿區鑫盛海洋產業投資有限公司** (Zhejiang Free Trade Zone Xinsheng Marine Industry Investments Co., Limited*)	The PRC	Registered capital: RMB800,000,000 and paid-up capital: RMB257,965,720	–	100%	Investment, development and construction of ocean engineering and real estates; investment and development of tourism project; and real estate agent services; consultation of information services; property management and property leasing
Mingzhou Consultancy***	The PRC	Registered and paid-up capital: RMB10,000,000	–	100%	Provision of property project management services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity interests attributable to the Company/ proportion of voting power held by the the Company		Principal activities
			Direct	Indirect	
佛山快彤物業服務有限公司*** (Foshan Express Property Service Co., Limited*)	The PRC	Registered capital: RMB500,000,000; paid-up capital: RMB0	–	100%	Property management, provision of real estate intermediate services, family services and construction works
High Morality Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	–	100%	Investment holding
Shenwei (Hong Kong) Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
Zhoushan Mingyi**	The PRC	Registered capital: RMB600,000,000; paid-up capital: RMB4,520,200	–	100%	Investment holding
Shanghai Yuexin***	The PRC	Registered capital: RMB20,000,000; paid-up capital: RMB0	–	100%	Investment holding
上海薈昌企業管理諮詢有限公司** (Shanghai Huichang Enterprise Management Consultancy Co., Limited*)	The PRC	Registered capital: RMB500,000,000; paid-up capital: RMB0	–	100%	Provision of administrative services to Group companies
Zhoushan Mingtai***	The PRC	Registered capital: RMB600,000,000; paid-up capital: RMB272,676,498	–	100%	Investment holding
舟山銘舟置業有限公司*** (Zhoushan Mingzhou Real Estate Co., Limited*)	The PRC	Registered capital: RMB500,000,000; paid-up capital: RMB10,000,000	–	100%	Investment holding
Zhenjiang Tiangong***	The PRC	Registered and paid-up capital: RMB30,000,000	–	100%	Property development in the PRC

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity interests attributable to the Company/ proportion of voting power held by the the Company		Principal activities
			Direct	Indirect	
Hangzhou Minglun***	The PRC	Registered and paid-up capital: RMB150,000,000	–	100%	Property development

** The company is registered as a wholly owned foreign enterprise in the PRC.

*** The company is registered as a limited liability company in the PRC.

Note:

1) Pursuant to the Article of Association of Top Bright, on a winding up, the holder of the deferred share shall be entitled out of the surplus assets of Top Bright to a return of the capital paid up on the one non-voting share but only after a holder of ordinary share has received in full the return of capital paid on them and, in aggregate, a total sum of HK$100,000,000,000,000.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31 December 2019 HK$'000	31 December 2018 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**10**	13
Interests in subsidiaries (note)	**627,712**	309,409
	627,722	309,422
CURRENT ASSETS		
Other receivables	**504**	348
Derivative financial instruments	**89**	728
Cash and bank balances	**101,825**	415,821
	102,418	416,897
CURRENT LIABILITIES		
Other payables	**2,199**	814
Amounts due to subsidiaries	**299,878**	333,997
Other borrowings	**50,000**	–
Convertible notes	**9,845**	–
Tax payable	**5**	–
	361,927	334,811
NET CURRENT (LIABILITIES)/ASSETS	**(259,509)**	82,086
TOTAL ASSETS LESS CURRENT LIABILITIES	**368,213**	391,508
NON-CURRENT LIABILITIES		
Interest and other payables	**–**	567
Convertible notes	**–**	8,761
Deferred taxation	**191**	370
	191	9,698
NET ASSETS	**368,022**	381,810
CAPITAL AND RESERVES		
Share capital	**112,502**	112,502
Reserves	**255,520**	269,308
TOTAL EQUITY	**368,022**	381,810

Note:

As at 31 December 2019 and 2018, the balance of interests in subsidiaries included amounts due from subsidiaries.

The Company's financial statements were approved and authorised for issue by the board of directors on 29 April 2020 and signed on its behalf by:

FAN Xuerui
Director

PI Minjie
Director

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium HK$'000	Convertible notes equity reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2018	168,300	5,619	96,588	270,507
Loss and total comprehensive loss for the period	–	–	(1,199)	(1,199)
At 31 December 2018 and 1 January 2019	168,300	5,619	95,389	269,308
Loss and total comprehensive loss for the year	–	–	(13,788)	(13,788)
At 31 December 2019	**168,300**	**5,619**	**81,601**	**255,520**

In the opinion of the directors, the Company had distributable reserve of approximately HK$78,604,000 at the end of the reporting period (31 December 2018: HK$91,536,000).

46. CORPORATE GUARANTEES

As at 31 December 2019, the Company provided corporate guarantee to a bank for securing banking facilities granted to its subsidiaries which amounted to HK$1,127,000,000 (31 December 2018: HK$857,000,000), while certain subsidiaries have provided corporate guarantees to a financial institution for securing facilities granted to the Company which amounted to HK$150,000,000 (31 December 2018: Nil).

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 April 2020.

* *for identification purpose only*

Five-year Financial Summary

	Year ended 31 March			Nine months ended 31 December	**Year ended 31 December**
	2016	2017	2018	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	57,247	65,826	47,241	32,787	**44,976**
Other (loss)/income, net	11,215	4,799	(169)	4,235	**(103)**
Net gain/(loss) in fair value of investment properties	9,862	30,200	20,500	19,200	**(25,100)**
Staff costs	(17,678)	(12,123)	(10,373)	(5,668)	**(15,788)**
Depreciation of property, plant and equipment	(80)	(478)	(840)	(655)	**(998)**
Depreciation of right-of-use assets	–	–	–	–	**(1,475)**
Impairment losses under ECL model	–	–	–	–	**(15,453)**
Other operating expenses	(27,144)	(17,922)	(19,310)	(10,768)	**(29,076)**
Profit/(loss) from operations	33,422	70,302	37,049	39,131	**(43,017)**
Share of results of an associate	–	–	–	–	**(1,789)**
Impairment loss on investment in an associate	–	–	–	–	**(26,121)**
Finance costs	(26,877)	(33,611)	(21,707)	(18,304)	**(23,450)**
Net gains on disposals of subsidiaries	–	–	5,375	–	**–**
Net gain on disposal of an investment property	–	–	4,950	–	**–**
Profit/(loss) before taxation	6,545	36,691	25,667	20,827	**(94,377)**
Taxation	(4,974)	(2,585)	(4,965)	(3,486)	**(410)**
Profit/(loss) for the year/period	1,571	34,106	20,702	17,341	**(94,787)**
Profit/(loss) for the year/period attributable to the owners of the Company	1,571	34,106	20,702	17,341	**(94,787)**
Dividend and distribution	549,916	–	233,097	–	**–**
Earnings/(loss) per share					
– Basic (in HK cents)	0.16	3.41	1.90	1.54	**(8.43)**
– Diluted (in HK cents)	0.05	3.27	1.89	1.53	**(8.43)**
ASSETS AND LIABILITIES					
Total assets	3,362,156	3,489,757	2,682,459	2,973,426	**3,739,456**
Total liabilities	1,200,254	1,262,640	603,390	877,118	**1,756,162**
	2,161,902	2,227,117	2,079,069	2,096,308	**1,983,294**

Schedule of Properties Held by the Group

At 31 December 2019

MAJOR PROPERTIES

Particulars of major properties held by the Group at 31 December 2019 were as follows:

Investment properties

Location	Type of property	Group interest	Approximate area
Jardine Center, 50 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	GFA of approximately 49,779 sq. ft
Ground Floor and Cockloft Floor, 38 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 446 sq. ft. with yard and the store of approximately 28 and 193 sq. ft. respectively on the ground floor
First Floor, 38 and 40 Jardine's Bazaar, Causeway Bay, Hong Kong	Residential	100%	Saleable area of approximately 762 sq. ft. with flat roof of approximately 99 sq. ft.
Ground Floor including Cockloft of 41 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 600 sq. ft. with yard and store of approximately 80 sq. ft. and 371 sq. ft. respectively with yard of 82 sq. ft. on the ground floor
Ground Floor, 57 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 715 sq. ft.
Shop No.1 on Ground Floor including Portions of The Flat Roof and Canopy over and above The Shop No. 1 on the Ground Floor, K.K. Mansion, 119, 121 & 125 Caine Road, Mid-Levels West, Hong Kong	Commercial	100%	Saleable area of approximately 1,345 sq. ft. with flat roof of approximately 273 sq. ft.

Schedule of Properties Held by the Group

At 31 December 2019

Properties for sale

Location	Type of property	Group interest	Approximate area
NQS Phase II (portion of Lot Nos. 07-1-5 and 08-1-8) located at the southern side of Changxiang Road and the western side of Hubin Road Dantu District Zhenjiang City Jiangsu Province The PRC	Commercial and residential	100%	GFA of approximately 157,966 sq.m.
Jinxi Yijingyuan (金義頤景園) located at Lot No. 2 Huajin Street at the southern side of Jingang Avenue and the western side of Huajin Street Jinyi New Urban District Jinhua City Zhejiang Province The PRC	Commercial and residential	48.51%	GFA of approximately 337,530 sq.m.

* *for identification purpose only*