China Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1838

Annual Report 2019

POWER VISION

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
(resigned on September 30, 2019)
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

COMMITTEES

Audit Committee

Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
(resigned on September 30, 2019)
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

Remuneration Committee

Dr. Garry Alides Willinge *(Chairman)*
Dr. Wang Shih Chang, George
Mr. Luk Koon Hoo

Nomination Committee

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
(resigned on September 30, 2019)

AUTHORIZED REPRESENTATIVES

Dr. Wang Shih Chang, George
Mr. Wong Sai Chung

COMPANY SECRETARY

Ms. Yu Ling Ling

STOCK CODE

1838

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14th Floor, Wheelock House
20 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY'S WEBSITE

www.cpg-group.com

CHAIRMAN'S STATEMENT

Humanity is but a small speck of dust in the face of nature; as you can see, a single particle of the COVID-19 virus beckons the world to its knees. In fact, in the face of the COVID-19 virus, Trump is simply a self-righteous clown. "Arrogance" and "inactivity" are two qualities that can bring down humanity; we should converge positive energy, be broad-minded and show humility in our actions. We should focus on our own actions and roles in order to give the greatest contribution to our fellow countrymen. A while ago, massive political changes has killed off even those trading activities in reverse leveraged liabilities. As a result, both oppositions have suffered losses. Fortunately, the Group had only its head wet in this storm, but causing worry amongst our shareholders for a short while. Now, it is at the final stage in settling disputes for several debts that should not have existed to begin with. However, Tseng Kuo-fan said, "with regards to vision, we should tackle each one before moving on to the next". It's unlikely we will meet them all by setting several visions simultaneously. As such, the Group will keep a low profile and preserve our strength, and reserve more cash by sales of projects in order to tackle the current situation and explore further development opportunities after the pandemic over.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group Strategies

Looking ahead, the Group would continue to master property development projects, both residential and commercial, with sizable and distinct quality, in prime locations in the People's Republic of China ("PRC"). Our overall objectives are to exploit business opportunities, achieve sales growth, and enhance income as planned.

Key property development projects are as follows:

- ***High-end and sizable middle-class residential projects***

  There are both high-end residential and well-located projects for the growing middle-class in both Shanghai and Chongqing. Luxurious design and leading residential projects, characterised by themes and motifs, are connected with mass transit system with rapid, convenient and efficient transportation.

- ***Modern and upscale theme shopping street developments***

  These are modern, well-designed architectural projects situated at prime retail areas in major cities in the PRC which combines retail, residential, entertainment, cultural and recreational users with great accessibility, a focal point with attractions for residential, investment and business operations.

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

China's GDP in 2019 was recorded at RMB99,086.5 billion, seeing a 6.1% year-on-year growth.

Positive momentum of the residential property market of China sustained in 2019 as the sales volume and investment amount of residential properties grew by 10.3% year-on-year and 13.9% year-on-year respectively, according to the National Statistics Bureau. Premier Li Keqiang emphasized the importance of reforming the residential property market while promoting housing stability in the government work report in March 2019. In a bid to stay in line with the national directive, local city-level governments were given more freedom to implement different housing policies in view of local market conditions. The leasing market, as a long-term strategy for sustainable and steady growth of the residential property market, continued its upward trajectory as more new international operators entering the market.

The retail property market of China remained buoyant in 2019 as the total retail sales rose gently by 8.0% on a year-on-year basis to RMB41,164.9 billion. The e-commerce market maintained its strong growing momentum. In 2019, the national online retail sales amounted to RMB10,632.4 billion, representing an increment of 16.5% year-on-year. The online retail sales of commodities increased by 19.5% to RMB8,523.9 billion and accounted for over one-fifth of the total retail sales of consumer goods. Among the online retail sales of physical goods, food, clothing and daily necessities went up by 30.9%, 15.4% and 19.8% respectively. F&B and entertainment retailers continued to grow at a fast pace, while the sportswear and cosmetics market also recorded noticeable sales growth.

The office property market of China remained dynamic in 2019 despite macroeconomic headwinds. The technology, media and telecommunications ("TMT") and finance industries continued to dominate majority of the market share as the government is eager to further open the financial market, while flexible workspace operators and e-commerce retailers were the uprising drivers of office demand. The strong leasing demand from these industries contributed to a steady vacancy rate and a healthy rental growth.

Overview of the Shanghai Property Market

Shanghai maintained a steady economic growth. As of 2019, Shanghai's GDP grew by 6.0% year-on-year to RMB3,816.0 billion.

The residential property market in Shanghai was generally positive in 2019 as the investment amount and sales volume grew by 4.1% and 1.5% year-on-year respectively. There were no significant fluctuations in the overall pricing in 2019 amid the unchanged strict intervention from the government since 2016. New projects in decentralized areas were popular as new metro lines will be open in the coming two years.

The retail sales were recorded at RMB1,349.7 billion in 2019, representing a growth of 6.5% year-on-year. The solid performance of retail sales was a positive indicator of the retail property market. 12 new projects were launched in 2019, adding about 0.9 million square metres of new supply to the market. The vacancy rate and net absorption stayed healthy as supported by the strong demand, and the average rent remained stable despite the new supply and tenant mix reshuffling in existing projects. In order to stimulate consumption, landlords have been actively bringing in new retail concepts and brands. Pet service brands and e-commerce offline stores are some of the upcoming trends in the city.

According to the Shanghai Statistics Bureau, tertiary industry contributed about 72.7% of the total GDP in 2019, grown by 8.2% year-on-year to RMB2,775.2 billion. Four office projects were launched in the second half of 2019, triggering a 5% year-on-year growth of Grade A office stock to 13.3 million square metres as of 2019. The vacancy rate stood at a healthy level as landlords offered competitive leasing terms to tenants amid the abundance of supply. TMT, professional services and finance sectors were the key demand drivers while the healthcare sector was seen to be active in the past few months.

Overview of the Chongqing Property Market

Chongqing's economy continued to grow positively. Chongqing's GDP was recorded at a rise of 6.3% year-on-year to RMB2,360.6 billion in 2019.

The new supply of residential property surged by 22.1% year-on-year with a total of 34.0 million square metres in 2019. Amid a strong new supply, the sales volume grew by 0.3% year-on-year in the same period. Average price grew by 5.0% year-on-year to about RMB12,500 per square metre despite the continued introduction of market stabilization policies.

Consumer spending remained strong as the retail sales grew by 8.7% year-on-year to RMB866.7 billion in 2019. Despite four new projects completed in 2019 including an iconic landmark project in Chaotianmen, the vacancy rate of retail property dropped to 9.0% in 2019. Several well-known brands and foreign catering retailers were lured to Chongqing, where the local authorities decided to implement action plans to develop the city as an international consumer centre. Landlords were keen to organizing different festivals and events to catch an eye from consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the Chongqing Statistics Bureau, tertiary industry grew by 6.4% year-on-year to RMB1,255.8 billion in 2019. The supply of Grade A office buildings was relatively stable in 2019 while the demand remained strong. Existing stock was absorbed, driving a lower overall vacancy rate. While finance and professional services sectors remained the key drivers of office demand, the TMT industry also increased its presence since the launch of "Innovating China in Chongqing". With the implementation of different policies at city-level, cross-border traders would continue triggering the growth of office demand.

Outlook of the Mainland Property Market

After reiterating the importance of reforming the residential property market and promoting housing stability in the government work report in March 2019, the determination of suppressing the investment sentiment of housing market by the central government is anticipated to stay unchanged in 2020, the last year of the 13th Five-Year Plan.

More stringent policies are unlikely to be imposed amid concerns about slowing demand. The outlook of the residential property market remains positive, especially first-tier cities and regional capital cities whose economies are diversified and resilient. Meanwhile, the rental market is expected to get a boost going forward, fueled by the current market stabilization policy on purchasing market. Opening of different sectors of the economy of China will create new sources of expats and generate demand for rental.

The retail leasing momentum is expected to remain stable with experimental retailers, Internet celebrity F&B stores and child-focused brands being the main demand generators. While landlords will continue to adjust the tenant mix regularly to cope with the latest trend, they shall pay attention to the potential risk of overreliance on a single retail category. All in all, the retail property market in China is anticipated to be developed at a steady rate.

The office leasing sentiment is expected to remain generally optimistic amid the sustainable economic growth. While the robust demand from TMT and finance industries remain the key drivers of office demand, flexible workspace operators are expected to further contribute to the market share, especially in first-tier cities. These operators will be more creative in enriching the working experience and optimization of space in order to stay competitive.

FINANCIAL REVIEW

The Group's loss attributable to equity holders for the year amounted to RMB283 million (2018: profit RMB360 million), decreased by 178.6% when compared to 2018. Basic loss per share were RMB0.16 (2018: earnings per share RMB0.20).

As at December 31, 2019, the total assets increased to RMB61,605 million from RMB60,572 million in last year. Net assets, the equivalent of shareholders' funds, decreased to RMB37,267 million (2018: RMB37,550 million). In terms of value per share, net assets value per share is RMB20.60 at the end of the reporting period, as compared to RMB20.76 as at December 31, 2018. As the Group continues its investment of premium property developments in PRC with attendant appreciation in fair value, there was a RMB257 million fair value gain from the current portfolio. In addition, the approximate 4.0% depreciation of RMB to HK$ and United States dollar has resulted in the recognition of a RMB42 million exchange translation loss reported in this fiscal year.

The Group's revenue of RMB589 million (2018: RMB96 million) increased by 513.5% when compared with last year, and was mainly due to the increase in revenue from sales of properties.

The revenue from sales of properties amounted to RMB577 million (2018: RMB85 million), increased by 578.8% as compared to 2018. The Group sold properties with total gross floor area ("GFA") of approximately 850,000 sq. ft. (2018: 140,000 sq. ft) in 2019, a 507.1% increase as compared with last year.

Gross profit margin for sales of properties was 37.5% (2018: 49.8%), a 12.3 percentage point decrease when compared with last year.

Income from property leasing increased by 162.5% to RMB4.2 million (2018: RMB1.6 million). Property management income was RMB8 million (2018: RMB9 million).

During the year, the Group generated income of RMB138 million, RMB84 million, RMB13 million and RMB342 million from sales of residential properties of Shanghai Concord City Phase I, residential properties of Chongqing Manhattan City Phase I, residential properties of Chongqing Manhattan City Phase II and residential properties of Chongqing Manhattan City Phase III respectively.

Contract liabilities decreased to RMB725 million as at December 31, 2019 from RMB865 million as at December 31, 2018. This was primarily due to the recognition of revenue from pre-sale of residential properties of Chongqing Manhattan City Phase III during the year.

Other income, gains and losses, net were loss of RMB25 million (2018: gain of RMB5 million). The decrease was mainly attributable to the loss on disposal of investment properties of Shanghai Cannes car parking spaces of RMB25 million.

During the year, selling expenses were RMB9 million (2018: RMB9 million) which remains steady during the year.

Administrative expenses during the year were RMB724 million (2018: RMB55 million) which increased by 1,216.4%. It was mainly attributable to the provision for settlement fee and other relevant cost incurred in respect of the litigations with certain lenders of RMB614 million and increase of legal and professional fee and penalty and compensation as well as other tax and related expenses during the year.

Finance costs represent mainly interest expenses and other borrowing costs in relation to bank and other borrowings, effective interest of convertible note and the fixed-rate senior notes. Finance costs of approximately RMB762 million (2018: RMB861 million) were capitalised on various projects, and finance costs of RMB1 million which is related to interest on lease liabilities were charged to the profit or loss during the year (2018: Nil).

The changes in fair value of investment properties were RMB257 million (2018: RMB561 million), a decrease of 54.2% when compared to 2018. The property price remained steady during the year because the underlying demand remained strong. On the other hand, the central government's blueprint that advocates Shanghai to become an international financial hub in 2020 also benefited local businesses including the retail and office property markets. Combining these factors, the valuation of investment properties in 2019 is still appreciating. The fair value of investment properties in Shanghai experienced an increase of RMB86 million (2018: RMB267 million) which was mainly contributed from valuation appreciation of the project of Shanghai Concord City Phase 2. The fair value of investment properties in Chongqing experienced an increase of RMB171 million (2018: RMB294 million) which was mainly contributed from the valuation appreciation of the projects of Chongqing International Commerce Centre and Chongqing Concord City.

Income tax credit was RMB44 million (2018: income tax expense RMB141 million), a decrease of 131.2%. The Group's effective income tax rate was Nil (2018: 28.2%). The decrease in income tax expense was due to the increase in administrative expenses and decrease in the amount of changes in fair values of investment properties for 2019 in comparison to last year.

LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium-term basis and arranges refinancing of the Group's borrowing when appropriate. During the year, the Group raised new external borrowings totaling of approximately RMB234 million (2018: RMB1,572 million); on the other hand, the Group also received advance from a shareholder amounted to RMB399 million (2018: RMB1,415 million) during the year.

At the end of the reporting period, the Group's senior notes, bank and other borrowings and amount due to a shareholder amounted to RMB1,606 million (2018: RMB1,576 million), RMB5,307 million (2018: RMB4,906 million), RMB3,898 million (2018: RMB3,498 million) respectively. The Group's total borrowings were RMB10,811 million (2018: RMB9,980 million), an increase of RMB831 million when compared to December 31, 2018. RMB10,811 million (2018: RMB8,453 million) is repayable within one year whilst the remaining is repayable in the second to fifth year inclusive.

The gearing ratio of the Group as at December 31, 2019 was 28.9% (2018: 26.4%), determined as proportion of the Group's net borrowings (after deducting bank balances and cash and pledged/restricted bank deposits) to the shareholders' funds.

With bank balances and cash in hand, banking facilities available and those financing plans, in the opinion of the directors, the Group will have sufficient financial resources to satisfy its commitments and working capital requirements.

There was no material acquisition and disposal of group companies during the year.

TREASURY POLICIES

At the end of the reporting period, approximately 85% (2018: 84%) of the Group's borrowings were in RMB. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in RMB and HK$.

The bank borrowings are principally on a floating-rate basis while the other borrowings and senior notes are on a fixed-rate basis.

The Group has not used any interest rate or foreign currency derivative instrument to hedge its exposure to interest rate and foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

CHARGE ON ASSETS

As at December 31, 2019, the Group pledged assets with an aggregate carrying value of RMB54,575 million (2018: RMB48,388 million) to secure loan facilities utilised.

CONTINGENT LIABILITIES

As at December 31, 2019, the Group guaranteed mortgage loans to purchasers of its properties in the aggregate outstanding principal amount of RMB421 million (2018: RMB473 million). During the year, there was no default case.

LEGAL DISPUTES

As at December 31, 2019, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sale and properties held for sale in an aggregate amount of approximately RMB13 million (2018: RMB41 million) and the withdrawal of bank deposits of approximately RMB1 million (2018: RMB5 million) as at December 31, 2019. In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that not met the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or in the process of making countered claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The management has sought advices from the independent legal advisors or internal legal counsel, as at December 31, 2019, the Group has provided the construction cost liabilities amounting to RMB52 million (2018: RMB49 million) in relation to the above mentioned construction contracts under dispute.

Outstanding legal claims that are subjected to legal proceedings and/or appeal amounted to approximately RMB94 million (2018: RMB74 million) in aggregate. No further provision has been made in the consolidated financial statements in respect of these claims. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

Except for the matters disclosed elsewhere, the Group has the following litigations with some of its lenders:

1) On August 28, 2015, Shanghai Jingan-Concord Real Estate Co., Ltd. ("Shanghai Jingan") and Shanghai Minhang Concord Property Development Co., Ltd.) ("Shanghai Minhang"), each a wholly-owned subsidiary of the Company, as borrowers entered into an entrusted loan agreement with 平安大華匯通財富管理有限公司 ("PinganDahua") whereby an entrusted loan in the aggregate amount of RMB1.3 billion was granted (the "PinganDahua Entrusted Loan"), originally repayable by August 31, 2018 and extended verbally to October 15, 2018. Since then, the above parties have been in negotiations on new repayment arrangements.

   On November 17, 2017, Chongqing Riverside Real Estate Co., Ltd. ("Chongqing Riverside"), a wholly-owned subsidiary of the Company, as borrower entered into an entrusted loan agreement with 深圳市平安德成投資有限公司 ("PinganDecheng"), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted to Chongqing Riverside (the "PinganDecheng Entrusted Loan") repayable by February 2, 2020. The PinganDecheng Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. PinganDecheng without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People's Court on April 15, 2019 against Chongqing Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the PinganDecheng Entrusted Loan together with interest and legal costs incurred. Since then, the above parties have been in negotiations on new repayment arrangements.

   On January 26, 2016, Chongqing Riverside as borrower entered into an entrusted loan agreement with 深圳市思道科投資有限公司 ("SSI"), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted (the "SSI Entrusted Loan") to Chongqing Riverside repayable by January 27, 2020. The SSI Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. SSI without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People's Court on April 16, 2019 against Chongqing Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the SSI Entrusted Loan together with interest and legal costs incurred. Since then, the above parties have been in negotiations on new repayment arrangements.

   The Company is in the process of obtaining a new loan from an independent financial institution for the repayment of the PinganDahua Entrusted Loan, the PinganDecheng Entrusted Loan and the SSI Entrusted Loan and is of the view that the abovementioned is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

2) On November 9, 2016, Shanghai Jingan as borrower entered into an entrusted loan agreement (the "Lujiazui Entrusted Loan Agreement") with 陸家嘴國際信託有限公司 ("Lujiazui") whereby an entrusted loan in the total aggregate amount of RMB1.3 billion was granted. Three tranches of loan will be due on May 23, 2019, June 6, 2019 and June 15, 2019. Pursuant to the Lujiazui Entrusted Loan Agreement, Shanghai Jingan was required to pay a deposit of RMB124 million to Lujiazui by December 15, 2018, failing which Lujiazui can demand the immediate repayment of the total loan together with liquidated charges and interest. The full RMB124 million was not paid by due date and since December 4, 2018, Shanghai Jingan and Lujiazui have been in discussion to make a partial prepayment of the loan principal by utilising proceeds from sale of certain residential properties which have been charged to Lujiazui as security for the loan. Without notice to Shanghai Jingan, Lujiazui filed a civil claim claiming the amount of RMB1.24 billion against Shanghai Jingan with the High Court of Shanghai on December 20, 2018. Shanghai Jingan filed an appeal to the Supreme People's Court against the decision of the High Court of Shanghai on August 7, 2019. The appeal was dismissed by the Supreme People's Court on December 27, 2019, and Shanghai Jingan was ordered to repay RMB1.24 billion to Lujiazui together with interest and legal costs incurred (the "Lujiazui Entrusted Loan"). Since then, the above parties have been in negotiations on repayment arrangements. The Company is in the process of obtaining a new loan from an independent financial institution for the repayment of the Lujiazui Entrusted Loan.

   The Company is of the view that the abovementioned incident is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

3) On September 27, 2017, Shanghai Jingan as a borrower entered into an entrusted loan agreement (the "JIC Trust Entrusted Loan Agreement") with 中建投信託股份有限公司 ("JIC Trust") whereby an entrusted loan in the aggregate amount of RMB1.2 billion (the "JIC Trust Entrusted Loan") was granted in twelve tranches. The loan tenure for each tranch is 24 months and will be due from October 13, 2019 to December 29, 2019 (the "Loan Term"). Pursuant to the JIC Trust Entrusted Loan Agreement, the lender has the right to demand immediate repayment of the loan if the lender has doubt over the borrower's financial ability to repay the loan. On February 14, 2019, Shanghai Jingan received a notice from JIC Trust informing that the JIC Trust Entrusted Loan Agreement would be terminated on February 18, 2019 and the loan would be due on the same day. As the Loan Term has not yet expired, Shanghai Jingan did not repay the loan as demanded. On February 22, 2019, JIC Trust filed a civil claim against Shanghai Jingan and the Company declaring the termination of the JIC Trust Entrusted Loan Agreement and the loan due. The amount of claim is RMB1,452.35 million. Since then, the above parties have reached settlement whereby Shanghai Jingan will repay the principal amount of RMB1.2 billion under the JIC Trust Entrusted Loan together with interest and legal costs incurred.

The Company is in the process of obtaining a new loan from an independent financial institution for the repayment of the JIC Trust Entrusted Loan and is of the view that the abovementioned incident is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

In respect of each of the above litigations, the parties have arrived at a consensus in principle to the payment of certain fees or interest and the Group has provided settlement fee and other relevant costs in the aggregate amount of RMB614,120,000 for the year ended December 31, 2019 under administrative expenses. Mr. Wong Sai Chung, a substantial shareholder of the Company, will, to the extent where necessary, support the Company in respect of the above litigations.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2019, the Group had 382 employees (2018: 375 employees) in Hong Kong and the PRC. The related employees' cost for the year amounted to approximately RMB35 million (2018: RMB31 million). The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry and prevailing market conditions. In addition, share options may be granted from time to time in accordance with the terms of the Group's approved share option scheme to provide incentives and rewards to the employees.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Wang Shih Chang, George, aged 86

Dr. Wang is the Chairman of our Board and has been with the Group since 1992. He is the Chairman of the nomination committee and the member of the remuneration committee of the Company. Dr. Wang is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Managing Director. Dr. Wang has extensive experience in property development and management in the PRC. Prior to joining the Group, Dr. Wang served as a vice president of various companies owned by or associated with Bechtel Group, Inc. from 1962 to 1984 and Fluor Corporation from 1984 to 1986. Bechtel and Fluor are construction and project management companies in the United States of America. Dr. Wang has many years of experience in the operation and management of global conglomerates. He obtained a Master Degree in Civil Engineering and Nuclear Engineering from the University of Michigan and a Ph.D. Degree in Engineering from the University of California, Los Angeles. He is the brother of Mr. Wong Sai Chung, the Managing Director of the Company. Dr. Wang also serves as a director of U.S. Concord (Holding) Limited and Pacific Concord Holding Limited ("PCH") (de-listed).

Wong Sai Chung (汪世忠), aged 70

Mr. Wong is the Managing Director of the Company, and has been with the Group since 1992. Mr. Wong is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Chairman, and has overall responsibility for the Group's policy and management. Mr. Wong has over 20 years of experience in property development and management in the PRC, and has extensive experience in identifying and acquiring precious sizable lands and developing the land into highly marketable properties in top-tier cities in the PRC. Throughout the years, Mr. Wong has established strong and solid connections and contacts in the property industry in the PRC. Mr. Wong founded the PCH Group in March 1982 and has served as the Chairman of PCH Group since its establishment. He is the brother of Dr. Wang Shih Chang, George, the Chairman of the Board. Mr. Wong also serves as a director of U.S. Concord (Holding) Limited and PCH (de-listed). In 1996, he was appointed as the executive director of Concord Land Development Company Limited (de-listed).

Xu Li Chang (徐禮昌), aged 80

Mr. Xu is an Executive Director of the Company. Mr. Xu has been responsible for the project management since joining the Group in September 1998. He pursued his studies at the University of Chongqing (重慶大學) (formerly The Chongqing Institute of Civil Engineering and Architecture) (重慶建築工程學院) and qualified as a senior engineer in the PRC. Mr. Xu was appointed the officer-in-charge of the Neijiang City Municipal Foreign Economic and Technological Co-operation Office in the PRC in 1987. Mr. Xu also worked as the vice general manager at a well-known property development company in 1997 and was responsible for the overall management of the construction projects of that company.

Non-executive Director

Kwan Kai Cheong (關啟昌), aged 70
Mr. Kwan is a Non-executive Director of the Company and has joined the Group for more than ten years. He is also a Director of HK Electric. He is President of Morrison & Company Limited, a business consultancy firm. Mr. Kwan is also the chairman of the board of Utopa Limited, a commercial property company in the People's Republic of China. Mr. Kwan worked for Merrill Lynch & Co., Inc. for over 10 years during the period from 1982 to 1993, with his last position as President for its Asia Pacific region. He was formerly Joint Managing Director of Pacific Concord Holding Limited. Mr. Kwan is an Independent Non-executive Director of Greenland Hong Kong Holdings Limited, Henderson Sunlight Asset Management Limited (as manager of Sunlight Real Estate Investment Trust), United Photovoltaics Group Limited, Win Hanverky Holdings Limited and CK Life Sciences, all being listed companies (except Sunlight Real Estate Investment Trust being a listed real estate investment trust). He was previously an Independent Non-executive Director of Galaxy Resources Limited, a listed company. Mr. Kwan holds a Bachelor of Accountancy (Honours) degree and is a fellow of the HKICPA, The Institute of Chartered Accountants in Australia and The Hong Kong Institute of Directors Limited. He completed the Stanford Executive Program in 1992.

Independent Non-executive Directors

Warren Talbot Beckwith, aged 80
Mr. Beckwith was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the Chairman of the audit committee and the member of the nomination committee of the Company. Mr. Beckwith has business management experience in Australia, London and Hong Kong in various industries, including mining, petroleum, property and technology development. Mr. Beckwith is a Fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants, the Australian Institute of Company Directors and the Taxation Institute of Australia. In the past, Mr. Beckwith held directorships and executive positions in public companies listed on stock exchanges in Australia and Hong Kong. Mr. Beckwith formerly served as an independent non-executive director on each of the boards of the then listed Pacific Concord Holding Limited and Concord Land Development Company Limited, both property development companies. Mr. Beckwith was a director and shareholder of Avon Real Estate Pty Ltd., a property development company, and he was also a director of Sentinel Investments Pty Ltd, an Australian-based property development company. He was formerly a non-executive director of Brockman Mining Limited, a mining company listed in both Hong Kong and Australia, and is currently the chairman of Westralian Group Pty Ltd., a Western Australian investment company and corporate financial advisor, and is executive chairman of Gondwana Resources Limited, an Australian mining company.

Luk Koon Hoo (陸觀豪), aged 68
Mr. Luk was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the remuneration committee of the Company. Mr. Luk is a retired banker, and served Hang Seng Bank Limited from 1975 as a trainee officer and as a director and deputy chief executive in 1994. He was re-designated as managing director in 1996 and retired from Hang Seng Bank Limited in May 2005. Mr. Luk is currently an independent non-executive director of Computime Group Limited, Hung Hing Printing Group Limited and i-Cable Communications Limited, shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Wheelock Properties Limited and Octopus Holdings Limited, an non-executive director of Wharf T & T Limited and AXA General Insurance Hong Kong Limited. In public duties, Mr. Luk serves as a council member and treasurer of the Chinese University of Hong Kong, a member of Town Planning Board, a member of Witness Protection Review Board Panel and a non-official member of the Operations Review Committee of ICAC. Mr. Luk was born and educated in Hong Kong. He holds a Bachelor of Social Sciences Degree in Statistics from the University of Hong Kong and a Master Degree in Business Administration from the Chinese University of Hong Kong. He is a Fellow of the Hong Kong Institute of Bankers and the Hong Kong Institute of Directors. Mr. Luk is a Non-official Justice of the Peace.

Garry Alides Willinge, aged 70
Dr. Willinge was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is a member of the audit committee and Chairman of the remuneration committee of the Company.

He is a Fellow of the Australian Institute of Company Directors (AICD) and the Hong Kong Institute of Directors. He chairs the AICD Executive Committee in Hong Kong. He is an experienced company director in public listed, unlisted and not for profit companies in Australia, London and Hong Kong for over 13 years. He graduated with a Bachelor Degree in Science from the University of Melbourne and then attained a Graduate Diploma in Applied Finance and Investment from the Securities Institute Education in Australia (known as "The Securities Institute of Australia") in 1995 and a Graduate Diploma Company Director from the University of New England in 1992. He also attended the INSEAD Asia International Executive Programme in 2004.

Dr. Willinge had served as director, Global Services, of IBM China/Hong Kong Limited until January 2005. He previously held management positions in a number of IBM Asia Pacific and European business units, including director of New Business Ventures of the Asia Pacific, where he was responsible for forging alliances and joint ventures across Asia in order to expand IBM's services business portfolio. He was a director, Information Technology, for the Sydney Olympic Games 2000. He was assigned to the West Australian Premier in 1990, where he led the Office of Public Sector Management, which focused on leading public sector reform and developing CEO leadership within the sector.

He also serves as an Adjunct Professor of Business Studies at Curtin University in Australia. He received the Honorary Degree of Doctor of Technology from Curtin University in February 2014.

The Executive Directors of the Company are also the Senior Management of the Group.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and the management of the Company are committed to a high standard of corporate governance. The Company considers such commitment is essential for the effective management, a healthy corporate culture, a successful business growth, balancing of business risk and enhancing of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

Throughout 2019 and up to the date of this report, the Company has fully complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

THE BOARD

Responsibilities

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises seven members with three executive directors, one non-executive director and three independent non-executive directors (the "INEDs"). The Board at all times meets the requirements of the Listing Rules relating to appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael (resigned on September 30, 2019)
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

The relationship among members of the Board and the biographies of the directors were disclosed under the "Directors' and Senior Management's Profile" section of the 2019 Annual Report.

The Company has appointed a Managing Director who performs similar functions as a chief executive officer. The position of the Chairman and Managing Director are held by two different persons in order to maintain an effective segregation of duties, independence and a balanced judgment of views. The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He has the executive responsibilities over the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

The Independent Non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance and business. Their skills, expertise and number in the Board ensure that strong independent views and judgement are brought in the Board's deliberations and that such views and judgement carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company.

The Company annually assesses the independence of each Independent Non-executive Director during their terms of appointment. The Company has received from each of the Independent Non-executive Directors a written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-executive Directors are independent during the year and up to the date of this report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All directors (including non-executive director) of the Company are currently appointed with specific terms for 2 years commencing from February 23, 2019, which are also subject to retirement in accordance with the articles of association of the Company ("Articles"). According to the Articles, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of INEDs.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirement and regulations.

In accordance with the Articles, Mr. Xu Li Chang, Dr. Garry Alides Willinge and Mr. Luk Koon Hoo will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company's circular contains detailed information of the directors standing for re-election.

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of a diverse Board with a balance of skills, experience and diversity of perspectives to enhance the quality of its performance. All Board appointments will be considered against selection criteria.

The Company seeks to achieve board diversity through the consideration of a range of diversity perspectives in the Board members' selection process, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review and monitor the implementation of the Board Diversity Policy, to ensure the effectiveness of the Board Diversity Policy and discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

TRAINING AND CONTINUING DEVELOPMENT OF DIRECTORS

The Chairman has assessed the development needs of the Board as a whole, with a view to build its effectiveness as a team and to assist in the development of individual skills, knowledge and expertise.

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

BOARD MEETINGS

The Board aims to meet in person or by means of electronic communication, at least 4 times a year, if necessary, as well as on an ad hoc basis. The individual attendance record of each director at the meetings of the Board, Audit Committee, Remuneration Committees and Nomination Committee during the year ended December 31, 2019 is set out below.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance. Notices of regular meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board paper together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the management whenever necessary.

The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors and members of committees for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Upon reasonable request, the Company should provide separate independent professional advice to directors to assist them to discharge their duties in the appropriate circumstance.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affair. The Board committees of the Company are established with defined written terms of reference. The majority of the members of the Board committees are INEDs and the list of the chairman and members of each Board committees are set out under "Corporate Information" in the 2019 Annual Report.

Meeting attendance during the year ended December 31, 2019 is as follows:

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Dr. Wang Shih Chang, George	4/4	N/A	2/2	2/2
Mr. Wong Sai Chung	4/4	N/A	N/A	N/A
Mr. Xu Li Chang	2/4	N/A	N/A	N/A
Mr. Kwan Kai Cheong	4/4	2/2	N/A	N/A
Mr. Warren Talbot Beckwith	4/4	2/2	N/A	2/2
Mr. Cheng Chaun Kwan, Michael (resigned on September 30, 2019)	4/4	2/2	N/A	2/2
Mr. Luk Koon Hoo	4/4	2/2	2/2	N/A
Dr. Garry Alides Willinge	4/4	2/2	2/2	N/A

Pursuant to code provision A.2.7 of the CG Code, the Chairman should hold meetings with Independent Non-executive Directors without the presence of other Directors at least annually. The Company held two meetings on 29 March 2019 and 29 August 2019 in accordance with the CG Code.

The Audit Committee

Composition of the Audit Committee
Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael (resigned on September 30, 2019)
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

The Company established an Audit Committee comprising 4 INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Mr. Warren Talbot Beckwith, who possesses a professional accounting qualification and relevant accounting experience, is the Chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the Company's financial statements and report, and to consider any significant or unusual items raised by the corporate accounting department or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, the fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system (including anti-fraud) and risk management system and associated procedures.

During the year ended December 31, 2019, the Audit Committee met twice to review the financial results and reports (including continuing connected transactions), financial reporting (including cash flow forecast) and compliance procedures, to review the effectiveness based on report on the Company's internal control and risk management review and processes and the re-appointment of the external auditor. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of external auditor.

The Company's annual results and continuing connected transactions for the year ended December 31, 2019 have been reviewed by the Audit Committee.

The Remuneration Committee

Composition of the Remuneration Committee
Dr. Garry Alides Willinge *(Chairman)*
Dr. Wang Shih Chang, George
Mr. Luk Koon Hoo

The Company established a Remuneration Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Garry Willinge is the Chairman of the Remuneration Committee.

The main duties of the Remuneration Committee include the following:

(a) To make recommendation to the Board on the policy and structure for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

(b) To determine, review and approve the specific remuneration packages of all executive directors and make recommendations to the Board of the remuneration of non-executive directors, taking into account those factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere and desirability of performance-based remuneration.

(c) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year ended December 31, 2019 and up to the date of this report, the Remuneration Committee met on March 30, 2020 and August 29, 2019 to review the existing terms of reference for the Remuneration Committee and compensation arrangements relating to dismissal or removal of directors for misconduct.

The remuneration of the directors for the year ended December 31, 2019 was set out in note 10 to the consolidated financial statements.

The Nomination Committee

Composition of the Nomination Committee
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Warren Talbot Beckwith
Mr. Cheng Chuan Kwan, Michael (resigned on September 30, 2019)

The Company established a Nomination Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Wang Shih Chang, George is the Chairman of the Nomination Committee.

The main duties of the Nomination Committee include the following:

(a) To formulate the policy for the nomination of directors in compliance with the requirements of the Listing Rules including but not limited to the following for consideration by the Board and implement the nomination policy laid down by the Board:

  (i) all directors shall be subject to re-election at regular intervals as set out in the articles of association of the Company (as amended from time to time);

  (ii) the Company must comply with the disclosure requirements in relation to the appointment, resignation or removal of directors under the Listing Rules;

  (iii) non-executive directors should be appointed for a specific term, subject to re-election and the term of appointment of the non-executive directors must be disclosed in the Corporate Governance Report under the Listing Rules;

  (iv) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

During the year ended December 31, 2019 and up to the date of this report, the Nomination Committee met on March 30, 2020 and August 29, 2019 to review the structure, size and composition of the board of directors and the INEDs.

Nomination Policy

The Company has adopted a Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;

(5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;

(8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognizes the need for an additional Director or a member of senior management, the following procedure will be followed:

(1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

(4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. The obligation to follow the Listing Rules is set out in the terms of the service contracts of each executive director and the letters of appointment of the non-executive directors and each INED.

The directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in Model Code during the year ended December 31, 2019 and up to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness, while Management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. The system is designed to mitigate 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.

During the year ended December 31, 2019, the Company has identified, evaluated and managed risks via the following process:

- reviewing the organizational and strategic objectives;
- assessing the risk management philosophy to determine the risk tolerant level of the Group; and
- performing an entity-level risk assessment.

The Group adopted the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as specified in Appendix 10 of the Listing Rules (Model Code) and received confirmation from all directors that they have complied with the Model Code throughout the period under review.

Risk Management and Internal Control Systems Review

The management team of the Company meets regularly to review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the year ended December 31, 2019. The review is designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed. The risk management system:

- promotes consistent risk identification, measurement, reporting and mitigation;
- sets a common risk language to avoid any conflicting terminology or confusion in risk reporting;
- consists of risk management and internal control policies that are aligned with the business strategy; and
- enhances reporting to provide transparency of risks across the Group.

During the review, the Company conducted the following procedures:

- interviewing department heads and management to identify the risks over the Company business units;
- quantifying risks by financial data and market searches; and
- prioritizing the identified risks as high, medium and low risk.

The Company will perform ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

Internal Audit Function

During the year ended December 31, 2019, the Company has appointed an internal control advisor (the "IC Advisor") to perform internal audit function for the Group. The IC Advisor reported to the Audit Committee and communicated to the Company's management. Based on the agreed internal audit plan, the IC Advisor conducted the internal audit review scope during the year ended December 31, 2019. The IC Advisor reported and communicated the internal audit findings and recommendations to the Audit Committee and the management of the Group respectively. The management of the Group agreed on the internal audit findings and planned to adopt the recommendations from the IC Advisor accordingly.

With regards to the internal controls and procedures for the handling and dissemination of inside information, the Group complies with under the Part XIVA and relevant parts of the Securities and Future Ordinances and Listing Rules.

Management's report on risk management

Based on the risk management mechanism and internal audit review activities mentioned in the aforementioned paragraphs, the management of the Group had reported to the Board that the Group had maintained an effective risk management mechanism and internal control system during the year ended December 31, 2019.

MANAGEMENT FUNCTION

The management team of the Company meets regularly to review and discuss with the executive directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2019.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 57 to 63.

There is a material uncertainty relating to the outcomes of the events or conditions as disclosed in note 1 to the consolidated financial statements that may cast significant doubt on the Company's ability to continue as a going concern.

The remuneration paid and payable to the external auditor of the Group in respect of audit services and non-audit services for the year ended December 31, 2019 are set out below:

	Year ended December 31, 2019 RMB'000
Services rendered	
— Audit services	2,654
— Non-audit services	—
	2,654

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of shareholders are contained in the Company's Articles. Details of the poll procedures will be explained to shareholders during the proceedings of any general meetings, if necessary.

Poll results are published on the websites of the Stock Exchange and the Company before the designated time on any business day following the meeting in accordance with the Listing Rules.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board (also chairman of the Nomination Committee for the time being) as well as chairmen of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, will be available to answer questions at the shareholders' meetings.

Any enquiries by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's principal place of business in Hong Kong.

OTHERS

Annual Confirmation from Mr. Wong Sai Chung

The Board received a confirmation from Mr. Wong Sai Chung ("Mr. Wong") that during the year ended December 31, 2019 and up to the date of this report, Mr. Wong has complied with the non-compete undertaking as set out in the Prospectus.

New Business Opportunities

During the year ended December 31, 2019 and up to the date of this report, there have been no new business opportunities which are required to be referred to the INEDs under the deed of undertaking dated February 8, 2007 entered into between Mr. Wong and the Company.

Properties under the Beijing Concord Option and the General Option (collectively the "Options")

During the year ended December 31, 2019 and up to the date of this report, no options for the acquisition of the properties under the Beijing Concord Option and the General Option are exercised. The INEDs have considered the respective status of the Beijing Concord Option and the General Option and decided that it is not the appropriate time for the Company to exercise these options. Details of the Options are set out in the prospectus dated February 9, 2007 issued by the Company.

The Beijing Cannes Option previously granted by Mr. Wong had automatically lapsed in accordance with the terms of the Option Agreement as Mr. Wong had ceased to be interested in the Beijing Cannes site. Please refer to the Company's announcement dated February 7, 2013 for further details.

The General Option in respect of the Zhuhai Property previously granted by Mr. Wong had automatically lapsed in accordance with the terms of the Option Agreement as Mr. Wong had ceased to be interested in the Zhuhai Property. Please refer to the Company's announcement dated September 21, 2011 for further details.

First Right of Refusal for the Properties under Options

During the year ended December 31, 2019 and up to the date of this report, the Company is entitled to the first right of refusal for the properties under Options.

Dividend Policy

The Company has adopted a Dividend Policy that aims to provide the guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(3) retained earnings and distributable reserves of the Company and each of the members of the Group;

(4) the Group's liquidity position;

(5) interest of shareholder;

(6) Taxation consideration;

(7) potential effect on creditworthiness;

(8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

ABOUT THIS REPORT

As a property developer with its business focus on high quality, large-scale residential and commercial property development projects in major cities in China, China Properties Group Limited (the "Company") recognises that it is crucial to integrate the sustainability principles into the business operations and create mutual benefits and values to the environment, community and the stakeholders. We are pleased to present our third environmental, social and governance ("ESG") report and communicate our ESG management practices and performance with our stakeholders.

Reporting Scope

The scope of this report covers the Company's core business activities for the year ended December 31, 2019 (the "Reporting Period" or "2019") — property development and property management in Shanghai and Chongqing, China, including the following key subsidiaries (collectively, the "Group"):

- 上海閔行協和房地產經營有限公司 (Shanghai Minhang Concord Property Development Co., Ltd.)
- 上海靜安協和房地產有限公司 (Shanghai Jingan-Concord Real Estate Co., Ltd.)
- 上海盈多利物業管理有限公司 (Shanghai Yingduoli Property Management Co., Ltd.)
- 重慶茵威房地產有限公司 (Chongqing Ace Blossom Real Estate Co., Ltd.)
- 重慶兩江房地產有限公司 (Chongqing Yangtze-Jialing River Real Estate Co., Ltd.)
- 重慶半山一號房地產有限公司 (Chongqing Mid-Levels No. 1 Real Estate Co., Ltd.)
- 重慶山頂一號房地產有限公司 (Chongqing Peak No. 1 Real Estate Co., Ltd.)
- 重慶江灣房地產有限公司 (Chongqing Riverside Real Estate Co., Ltd.)
- 重慶正天投資有限公司 (Chongqing Zhengtian Investment Ltd.)
- 重慶盈多利物業管理有限公司 (Chongqing Yingduoli Property Management Co., Ltd.)

Reporting Standard

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx"). The board of directors has acknowledged its responsibility to oversee the Company's sustainable development and review the truthfulness, accuracy and completeness of the report.

Contact & Feedback

We welcome your valued suggestions on our ESG report. Should there be any feedback on our ESG report, please email us at esg@cpg-group.com.

STAKEHOLDER ENGAGEMENT

The Group has been maintaining close contact with our stakeholders as we believe they play a crucial role in our sustainability journey. We have identified key stakeholders of our business and material ESG topics. Through ongoing communication, we collect their views and opinions, which help us identify ESG-related risks and formulate our sustainability strategies to address those risks. The following list summarizes our diverse communication channels with different stakeholder groups:

Stakeholder groups	Engagement methods
Shareholder and investor	• Company website • Annual and Interim Reports • Regular meetings
Customer	• Company website • Annual and Interim Reports • Customer service and complaint channels
Employee	• Training and orientation • Performance review • Company activities
Supplier and contractor	• Selection Assessment • Tendering process

OUR WORKPLACE

The Group recognises employees as the most important asset to drive our business performance. To build and maintain a committed and innovative workforce, we put emphasis on creating a pleasant, safe and motivated workplace for our employees, as well as supporting their continuous growth and development.

Employment

Under our Human Resources Policy and Management Procedure, we offer attractive remuneration and benefit package to our employees, including the base salary, fixed working hours, holidays and annual leaves, rest days and social insurance, complying with the applicable labour laws and regulations (e.g. the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and Social Insurance Law of the People's Republic of China etc.). Our staff are also entitled to the additional paid leaves such as marriage leaves and maternity leaves, and benefits such as allowances and commissions.

We uphold the principles of openness, diversity, equal opportunity and anti- discrimination. As stipulated in our Human Resources Policy and Management Procedure, all employees and job applicants are treated equally, regardless of race, sex, marital status, pregnancy, disability status or other forms of difference that is unrelated to the job requirements. All decisions on recruitment, promotion, performance evaluation and salary adjustment are made solely based on qualifications, experiences and capabilities. To maintain the mutual respect between management, subordinates, and co-workers, we have outlined the required behaviours and conducts under the employee handbook for our employees to follow, strictly prohibiting any forms of harassment and victimisation in our workplace and projects sites.

We aim to maintain an open communication between our staff and his/her supervisors. This can enable our employees to express their concerns or recommendations regarding the current situation of their work. When such communication is received, we will promptly follow up and take necessary actions where appropriate to maintain a cohesive and inclusive working environment.

We strictly forbid the employment of child labour and forced labour in our operation. All the employment conditions are clearly stated in the employment contract to ensure all of our staff work consensually. We have taken measures such as conducting identity checks and job eligibility checks of the candidates to ensure no use of child labour and forced labour.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination,, other benefits and welfare, and preventing child and forced labour.

Training & Development

Understanding that investing in the employee development is one of the important factors to maintain our competitive edge in the property development industry, sustain the continual growth of our business as well as enhancing the job satisfaction of our people, we have a performance-based award system in place. With the aim of motivating our staff at work, we review the performance of each employees on a regular basis in an objective manner.

Guided by our Training Management Policy and Procedure, an annual training plan is formulated every year to identify the training needs of our employees based on their job duties and design suitable training programmes that meet their training needs. Our training programmes are divided into three main categories: new staff orientation, internal training and external training. During the Reporting Period, we have arranged a series of training activities, covering topics:

New staff orientation	• the Group's business profile and corporate culture • staff responsibilities and obligations • requirements on business ethics
Internal training	• procurement control management • post management of project design • construction work supervision • personal competenies
External training	• seminars, site visits • professional training programmes organised by external professional institutions

After training, regular reviews are being conducted to evaluate the effectiveness and for continuous improvement and future planning.

Occupational Health & Safety

We attach great importance in maintaining a workplace free from occupational hazards. Guided by our Occupational Health Management Procedure and Office Environment Management Standard, we strictly comply with all applicable laws and regulations such as the Work Safety Law of the People's Republic of China and Law of the People's Republic of China on the Prevention and Control of Occupational Diseases. We have also taken various measures to minimise the potential safety risks and to prevent work-related injuries, including adopting office security system, electricity safety and maintenance, good housekeeping and providing personal protective equipment to all workers. To further cultivate a safety-conscious workplace, we regularly conduct safety training and drills in order to enhance workers' safety awareness and competency in dealing with the emergencies.

Additionally, our main contractors also play a key role in maintaining the safety in our construction site; thus, we have a set of construction safety management guidelines in place, which clearly outlines the roles and responsibilities of the contractors and the corresponding regulations in construction safety management. For instance, all our main contractors are required to conduct relevant safety risks assessment and implement safety control measures in order to avoid, minimise and mitigate the safety risks posed to the workers, particularly specialised works such as machines operation, working at height, electricity work and welding. Also, our contractors must provide safety induction training to all workers prior to work, and organise safety refresher training periodically in order to increase their safety awareness at work sites. Only qualified workers can perform the specialised works in construction sites.

Furthermore, we request our main contractors to maintain good site housekeeping, and carry out daily site inspection to continuously evaluate the on-site potential safety hazards posed to worker as well as checking if the safety control measures are well maintained. We also conduct site audit regularly to ensure the contractors are complying with all the safety laws and regulations as well as the contract requirements. In the event of an accident, the main contractor in the construction site is requested to follow the Emergency Response Procedure and report the case to our safety working team. Subsequently, an accident investigation will be conducted, in order to find out the root causes of the accident and take remedial actions where appropriate.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

PRODUCT RESPONSIBILITIES

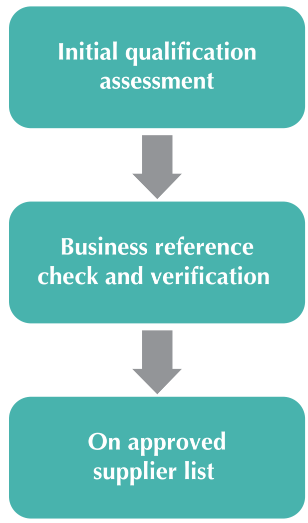
We strive to deliver the best product and experience to our customer by delivering safe properties with good quality and premier property management services. To achieve these, we have implemented various measures to manage our supply chain, safeguard the quality and conduct business ethically.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising and labelling matters of products and services.

Managing Our Supply Chain

In our property development and property management business activities, we need to closely collaborate with a wide range of suppliers, contractors and service providers in order to execute and support our daily operations. To make sure our values are aligned, we carefully select suppliers with honesty and reliability. Priority will be given to suppliers who have implemented sustainable social and environmental policies in their business operations.

We have a strict management procedure in place regarding supplier selection and management. The potential new suppliers are requested to undertake a qualification assessment, including a documentation review and on-site inspection. For potential materials, they are required to submit the pre-qualification assessment form to ensure all supplied materials are nationally qualified and meet the required industry standards. After that, business reference check and verification will be conducted by our procurement team, to verify and evaluate the qualification, capability of the suppliers in delivering quality products and/or services and integrity. After successfully meeting all the specified requirements, the suppliers can then be qualified as our approved suppliers.



Meanwhile, existing suppliers are required to comply with our Supplier Code of Conduct, which sets out our expectations in the areas of legal compliance, environmental protection, child labour, forced labour, remuneration and working hours, employment, health and safety, anti-discrimination, sub-contractor management, anti-corruption, and audit and monitoring.

Likewise, we have a standardised tendering management mechanism in place to select suitable tenderers for our construction projects. Our tendering team carries out the qualification assessment before potential contractors are registered as our on-list approved contractors. Only on-list qualified contractors are invited for tendering to ensure the quality of tenderers. In addition, to maintain a fair and open competition in the project bidding, we clearly include all our requirements, terms and conditions, specifications and requested document list in the tendering documents and distribute to the whole set of documents to all the invited tenderers, to make sure they fully understand the project nature and scope, contract requirements and other construction work requirements before their submissions.

In order to make a fair and equitable tendering decision, guided by the Tendering and Contract Management Procedure, our dedicated technical team carries out technical review on the received tendering documents. Apart from taking merits into account contained in the cost plan and technical capabilities, the health, safety and environment ("HSE") management in the construction sites is the other criteria we pay attention to, with the aim to minimise environmental and social impacts arising from our construction works. Based on the results of the technical evaluations, we select the best candidates who can offer a desirable project price and simultaneously fulfil our technical and HSE requirements for the development project.

Delivering Excellent Services

Property Development

Following our Project Management Procedure, our dedicated project management team manages the overall performance of our development project life-cycle, from pre- construction, construction stage to post-construction stage in order to maintain the quality and safety of our every project:

Pre-construction

Our contractors are required to submit detailed construction project management plans with respect of budget control, construction schedule, construction method statements and drawings to our project management team for approval prior to the commencement of construction works. This is to make sure the proposed building works are complied with relevant laws and regulations such as Construction Law of the People's Republic of China, other industry standards and contract requirements.

Regarding materials use and its selection, contractors are required to submit a list of selected suppliers, relevant material specifications, sample products, compliance certificates, and assessment reports for review and approval. Our engineering and quality assurance teams under the project management team will then conduct an on-site inspection with the selected suppliers and assess the quality of the products before mass purchasing. When the materials are supplied and delivered at the construction site, our engineering and quality assurance teams, together with the contractors, will carry out material sampling inspections and acceptance checks to verify whether the quality of materials meets the relevant quality and safety requirements and industry standards.

Construction stage

Our engineering team works closely with the main contractors and supervises the whole construction progress through regular site meetings and inspections, to ensure the structural works are built in accordance with the approved drawings and method statements, and to rectify any potential issues at the earliest stage.

Once the construction is completed, in addition to self- inspections by our contractors, our engineering team and quality assurance teams will carry out the completion acceptance inspections on the finished works in accordance with a series of agreed standards listed on the contract. We also offer a defect warranty period for our properties on various items. With a period of two to five years' warranty in general, we are committed to the satisfaction of our customers by providing properties of good quality in various aspects. We aim to protect and fulfil our product responsibilities and ensure maximum customer satisfaction.

Sales of our properties

We strictly follow the requirements of the applicable laws and regulations such as Advertising Law of the People's Republic of China and Regulatory Measures on the Sale of Commercial Houses when designing our advertisements and sales promotion brochures. Ensuring the information provided in the advertisements and brochures is accurate and not misleading, we are committed to safeguarding the interests and legitimate rights of our customers.

Property Management

To provide quality property management services, we have established a set of property management procedures regarding the security of our managed buildings. We have installed security systems and arranged daily patrols to ensure the safety of our residents and tenants. Our managed properties are all equipped with fire services facilities and regular maintenance of such facilities is carried out to make sure they are in good conditions. We have developed various standardised guidelines for our staff to follow in response to crisis scenarios such as power blackout, water and gas supply failure. Drills are organised, on a regular basis, to enhance our residents' and tenants' awareness on preparedness and response to emergency situations such as fire and flooding hazards.

To understand our customers' needs and expectations and further enhance their satisfaction, we pledge to handle, respond and resolve their enquiries and complaints in a timely manner by following our complaint handling procedure. The complaint records are documented and reviewed properly, so that we can effectively identify areas for improvement and drive us to continuously deliver excellent property management services.

Business Ethics

We firmly believe that business integrity is the foundation of business and strictly prohibit any bribery and corruption practices in every stage of our business as well as maintaining fair competitions in the industry. The Anti-corruption Management Procedure is in place to provide guidelines on our expected behaviours and conducts in our business dealings, including but not limited to financial management, contract and procurement management and quality assurance management in the property development projects, aiming to ensure our staff upholds the highest standard of honesty, fairness and professionalism throughout our daily operations and comply with the relevant laws and regulations such as the Criminal Law of the People's Republic of China. For instance, we prohibit all employees to receive any advantages such as gifts, commission and entertainment from our business partners and customers, or abuse of power for their own benefits.

Relevant training is provided to all employees to make sure that they fully understand their responsibilities and obligations and to enable them to perform professionally and ethically in the business operations. In case of violation, employees are subjected to the disciplinary actions, including the termination of employment. In addition, we also encourage our employees and business partners to report any suspected misconduct and malpractices. Similarly, the same requirement is extended to our supply chain by requiring our business partners to uphold the highest degree of business ethics and integrity in our business dealings, and strictly prohibit them to provide any benefits such as gifts, commission and entertainment to our staff in order to obtain any own advantages.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering.

Customer Privacy & Intellectual Property Rights

To safeguard customers' privacy and intellectual property ("IP") rights, we have set up the confidentiality committee with the function of information confidentiality management monitoring and the handling of information leaks if any. We require all employees to strictly follow the provisions of information confidentiality set out in our employee handbook when coping with the confidential information (e.g. trade secrets, contracts and price sensitive information) in our day-to-day business activities. Any copy, transfer and disclosure of such information without prior approval by the management or customers to unauthorised parties is strictly prohibited. Likewise, we request our suppliers and contractors to take due care for information confidentiality protection under the terms and conditions of the service contracts to avoid information leakage.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to privacy matters of products and services.

HARMONISING WITH THE ENVIRONMENT

The Group is dedicated to reducing the environmental impact of buildings as well as enhancing the quality of life of our residents. We strive to incorporate the idea of sustainability in every step of our business, from initial environmental impact assessment of project sites, product design stage, construction stage to operational stage:

Environmental impact assessment

Strictly abiding by the relevant environmental laws and regulations such as the Environmental Protection Law of the PRC, the Law of the People's Republic of China on Appraising Environmental Impacts and Regulations on the Administration of Construction Project Environmental Protection, we appoint specialist environmental consultants to carry out a comprehensive environmental impact assessment on our proposed development projects in prior to construction work of our real-estate projects. This enables us to carefully identify potential environmental impacts arising from different stages of the projects and formulate corresponding mitigation measures to alleviate the negative impacts.

Project design

During the project design stage, we proactively incorporate green building design features in our projects. Greening or landscaping is one of the focused areas we work on in our property development projects. Greening helps not only reduce greenhouse gas ("GHG"), but also mitigate heat island effect and enhance the comfort and elegance of the living environment to our residents. We continue to explore ways to increase the size of greenery areas such as having rooftop greening and vertical greening instead of implementing greening at available open areas at ground levels of our properties, with an objective to maximise the benefits brought from greening. Additionally, we also adopt energy-efficient features, such as the use of external wall thermal insulation, building lighting control system with photo sensors or motion sensors in the structure of the building, and the architectural designs of the buildings are able to adopt the natural lighting and natural ventilation as much as possible to lower the energy consumption. By taking environmental considerations into account, we aim to purchase materials with higher energy efficiency, higher durability and less toxicity when procuring the construction materials. We also give priority to materials with national green labels or on the governmental green products list. We have installed energy-saving equipment, including high-efficient generators, air conditioners with low noise models, energy-saving transformers, LED or T5 fluorescent light fixtures, and water-efficient devices.

Construction

During the construction stage, it is inevitable to generate air emissions, wastewater and waste, and utilise natural resources which potentially induce environmental nuisances and pollutions. Hence, we require our main contractors to make their every effort to prevent adverse impacts on the environment and to use the natural resource in an efficient way, in addition to strictly comply with all the environmental laws and regulations. For instance, our main contractors should take engineering controls to analyse the accurate amount of materials use in the construction process to avoid materials overstocking and wastage, while various mitigation measures are adopted to manage our air emissions, wastewater discharge and waste generation:

- watering and enclosing dusty materials by impervious sheeting for dust suppression
- using the powered mechanical equipment with low noise
- performing regular maintenance on construction machineries to ensure they are in normal operation and do not generate noise pollution
- treating wastewater properly before discharge
- reusing wastewater for vehicles wheel washing
- sorting, recycling and disposal of construction waste properly

Furthermore, our delegated project management team conducts regular site inspections to ensure the effectiveness of the mitigation measures.

Property management

In our property management operation, the main types of waste generated are mostly non-hazardous waste such as domestic garbage, construction waste and waste light bulbs. They are segregated and placed at designated storage locations for further handling and disposal by licensed waste collectors. In the meantime, our management team conducts regular maintenance on the building facilities (e.g. ventilation system, exhaust fans and pumping systems) to ensure no excessive noise and vibration affecting the surrounding neighbourhood.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, generation of waste and use of resources.

Efficient Resource Use

In order to reduce our consumption of natural resources and maximise our efficiency, we have implemented various measures at our project sites to manage our consumption practices:

Energy

- Optimise our energy system by making use of daylight as much as possible
- Switch off all electrical appliances when not in use
- Monitor our consumption pattern
- Opt for energy-efficient machineries

Water

- Make full use of rainwater resources as much as possible
- Protect underground water resources during construction
- Encourage a sense of water conservation

Materials

- Optimise our operation processes to avoid material wastage
- Avoid unnecessary use of paper

In addition, we actively promote the idea of resource conservation to our workers by placing reminders at the project sites and organising training on this matter. We will regularly review our environmental performances and look for improvement continuously.

Our Environmental Performance

Since our operations involve the engagement of contractors to carry out our project works, the disclosed information is mainly based on available environmental data that we are able to track. We will continue to collaborate with our contractors in order to collect environmental data in the future to further enhance the transparency and traceability of our environmental performance.

	Unit	2017	2018(Note 1)	**2019(Note 1)**
Types of Resources Use(Note 2)				
Gasoline	Litre	33,249.52	30,371.30	**32,495.98**
Intensity	Litre per full-time employee	202.74	353.15	**90.77**
Diesel oil(Note 3)	Litre	—	1,200.00	**2,0000.00**
Intensity	Litre per full-time employee	—	5.85	**8.89**
Electricity(Note 4)	MWh	4,883.11	3,916.32	**2,719.36**
Intensity	MWh per full-time employee	30.33	13.69	**7.53**
Water(Note 5)	m^3	193,937.76	22,024.65	**77,559.77**
Intensity	m^3 per full-time employee	2,731.52	84.06	**219.10**
Type of Waste(Note 6)				
Non-hazardous Waste				
Construction waste	Tonne	—	35,864.00	**2,928.00**
Domestic waste	Tonne	—	12,480.00	**6,004.20**
Food waste	Tonne	—	16.80	**—**
Waste paper	Tonne	—	—	**0.17**
Total	Tonne	—	48,360.80	**8,932.37**
Intensity	Tonne per full-time employee	—	228.12	**38.50**
Hazardous Waste(Note 7)				
Light bulbs	Tonne	—	—	**0.01**
Ink cartridge	Tonne	—	—	**0.001**
Electronic waste	Tonne	—	—	**0.02**
Others	Tonne	—	—	**0.60**
Total	Tonne	—	—	**0.63**
Intensity	Tonne per full-time employee	—	—	**0.003**
Wastewater Discharge(Note 8)	m^3	139,752.00	8,331.00	**10,885.00**
Intensity	m^3 per full-time employee	2,368.68	133.14	**39.58**
GHG Emissions				
Direct Emission (Scope 1)(Note 9)	tCO_2e	76.87	75.76	**174.11**
Indirect Emission (Scope 2)(Note 10)	tCO_2e	4,122.64	3,687.99	**2,413.43**
Other Indirect Emission (Scope 3)(Note 11)	tCO_2e	4.79	15.50	**15.68**

	Unit	2017	2018(Note 1)	2019(Note 1)
Total	tCO_2e	4,204.30	3,779.25	**2,603.22**
GHG Intensity	tCO_2e per full-time employee	24.59	12.64	**7.00**
Air Emissions(Note 12)				
Nitrogen Oxides	kg	—	—	**16.38**
Sulphur Oxides	kg	—	—	**0.46**
Particulate Matter	kg	—	—	**1.21**

Note 1: The coverage of energy, water, waste and greenhouse gas emissions in 2018 and 2019 includes the offices of the subsidiaries, the residential properties managed by the Group and the property development projects with the billing system scoped under the subsidiaries, and excludes the Group's headquarters in Hong Kong, as the contribution to the environmental impacts of its operation is considered as insignificant compared to the Group's property development and property management business. Our intensity values are based on subsidiaries with available environmental data.

Note 2: Due to the Group's business nature, the amount of packaging material is considered insignificant.

Note 3: The consumption of diesel is only used for the generator operation in the property managed by the Group's subsidiaries, namely, Chongqing Yingduoli Property Management Co., Ltd.

Note 4: The total electricity consumption does not include the Group's subsidiaries which their electricity consumptions were considered as insignificant or no separate bills were issued.

Note 5: The total water consumption does not include the Group's subsidiaries which their water consumptions were considered as insignificant or no separate bills were issued. We did not have any water sourcing problem faced during the Reporting Period.

Note 6: The amount of waste generation only includes the subsidiaries, namely, Shanghai Yingduoli Property Management Co., Ltd. and Chongqing Yingduoli Property Management Co., Ltd. in 2018 and only includes the subsidiaries, namely, Chongqing Riverside Real Estate Co., Ltd., Shanghai Yingduoli Property Management Co., Ltd. and Chongqing Yingduoli Property Management Co., Ltd. in 2019.

Note 7: The amount of generated hazardous waste is not available for 2017 and 2018 as no weight information is available.

Note 8: The total wastewater discharge does not include the Group's subsidiaries which their records of wastewater discharge of other subsidiaries were not available or no separate bills were issued.

Note 9: The direct emission (Scope 1) covers the emission from the stationary sources combustion, mobile sources combustion, and fugitive emissions from the use of refrigerants.

Note 10: The indirect emission (Scope 2) covers the emission from the purchased electricity from power companies.

Note 11: The other indirect emission (Scope 3) covers the emission from the business travel of employees only.

Note 12: The information on air emissions generated by the use of company vehicles is not available for 2017 and 2018.

OUR COMMUNITY

We recognise the preciousness of local historical buildings and cultural heritage as they witnessed the changes of times and the progress of the society. Regarding this, we strive to preserve the historical buildings and cultural heritage uniqueness when designing the properties. We emphasise the importance of maintaining a harmony with traditional buildings and the characteristics of the local society in our property design, aiming to retain the historical elements while the features and benefits of modern and traditional buildings can be coexisted in the local community. In order to equally respect the needs of individuals, we aim to provide a barrier-free environment to people with physical disabilities in our properties, to encourage their connections with the community. Barrier- free access and facilities; thus, are another key elements in the design of our properties. Disabled friendly facilities (e.g. barrier-free entrance, wheelchair ramps, passenger lifts) have been integrated into our design and constructed in our properties for easy access.

As a socially responsible corporate, it is our responsibility to give back to the society where we operate and thus we are devoted to serving our community where we locate and operate. We encourage our employees to participate actively in different charitable and voluntary activities to engage in our community.

HKEx ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A Environmental		
A1 Emission	Information on: — the policies; and — 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. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Harmonising with the Environment
KPI A1.1	The types of emissions and respective emissions data.	Harmonising with the Environment — Our Environmental Performance
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Harmonising with the Environment — Our Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Harmonising with the Environment — Our Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Harmonising with the Environment — Our Environmental Performance
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Harmonising with the Environment

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A Environmental		
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Harmonising with the Environment
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Harmonising with the Environment — Efficient Resource Use
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).	Harmonising with the Environment — Our Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Harmonising with the Environment — Our Environmental Performance
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Harmonising with the Environment — Efficient Resource Use
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Harmonising with the Environment — Efficient Resource Use
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	Not applicable as the amount of packaging material is considered insignificant due to the Group's business nature
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Harmonising with the Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Harmonising with the Environment

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B Social		
B1 Employment	Information on: — the policies; and — 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.	Our Workplace — Employment
B2 Health and Safety	Information on: — the policies; and — 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.	Our Workplace — Occupational Health & Safety
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Our Workplace — Training & Development
B4 Labour Standard	Information on: — the policies; and — compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	Our Workplace — Employment
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Product Responsibilities — Managing Our Supply Chain

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B Social		
B6 Product Responsibility	Information on: — the policies; and — 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.	Product Responsibilities — Delivering Excellent Services, Customer Privacy & Intellectual Property Rights
B7 Anti-corruption	Information on: — the policies; and — compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Product Responsibilities — Business Ethics
B8 Community Investment	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.	Our Community

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

The Group is principally engaged in the property development and property investment business in the People's Republic of China (the "PRC" or "China").

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 12 of this annual report. This discussion forms part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 64.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at the year end date. The net increase in fair value of investment properties, which has been credited directly to the consolidated statement of profit or loss amounted to RMB257,210,000.

During the year, the addition of investment properties under construction of the Group amounted to approximately RMB528,458,000.

Details of these and other movements during the year in property, plant and equipment and investment properties of the Group are set out in notes 13 and 15 to the consolidated financial statements, respectively.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five years ended December 31, 2019 is set out on page 166.

PROPERTIES

Particulars of major properties held by the Group are set out on pages 167 to 168.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group for the year ended December 31, 2019 are set out in the consolidated statement of changes in equity on page 67.

SHARE CAPITAL

Details of the movements in Company's share capital during the year are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2019 were as follows:

	RMB'000
Share premium	**7,967,070**
Accumulated losses	**(2,682,374)**
	5,284,696

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provisions of the Company's Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible property developer, we are dedicated to reducing the environmental impact of buildings as well as enhancing the quality of life of our residents. We strive to incorporate the idea of sustainability in every steps of our business, from initial environmental impact assessment of project sites, product design stage, construction stage to operational stage. With the implementation of various environmental initiatives and practices, we strive to prevent negative impacts on the environment and to maximise the resource efficiency in our property development and property management business. During the year ended December 31, 2019, the Group was not aware of any material non-compliance with the applicable environmental laws and regulations that have a significant impact on the Group.

Looking ahead, we will continually raise our environmental performance. For more details, please refer to the "Environmental, Social and Governance Report" section in this report.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has maintained a good relationship with its employees, customers, suppliers and contractors:

Employees:	We recognise the importance of our employees and value their every contributions. We strive to create a safe, motivated and respectful workplace for our employees. We offer attractive remuneration and benefit packages to our employees based on their qualifications, experience and market standards to reward their efforts and contribution. To foster our employees' career development and maximise their potentials, we arrange various training programmes for our employees to acquire professional knowledge and technical skills.
Customers:	We aim to gain our customers trust by delivering safe properties and high-quality property management services. Through our close monitoring and on-site inspections, the quality and safety of our properties is properly maintained. To protect our customers' interests, we ensure accurate information is provided in our advertisements and sales brochures, and a defect warranty period is offered for our sold properties. We also have set up a complaint handling procedure to ensure all our customers' needs and expectations are appropriately addressed and handled.
Suppliers & Contractors:	We select suitable supplies and contractors through our standardised selection procedure and tendering management. Apart from complying with the relevant national laws and regulations, our contractor are required to follow the requirements of our quality, safety and environmental management standards in order to prevent serious building structural defects, work injuries and safety and environmental incidents during construction works. Additionally, to uphold the highest business integrity, we require our suppliers and contractors to observe our anti-corruption practices in our business partnerships.

For more details, please refer to the "Environmental, Social and Governance Report" section of this report.

DIRECTORS' REPORT

DIRECTORS

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

Executive directors:
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive director:
Mr. Kwan Kai Cheong

Independent non-executive directors:
Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael (resigned on September 30, 2019)
Mr. Luk Koon Hoo
Dr. Garry Alides Willinge

Details of the directors' and senior management's biographies have been set out on pages 13 to 15.

Each of the executive directors has entered into a service agreement with the Company for another term of two years commencing February 23, 2019.

In accordance with article 87 of the Company's Articles of Association, Dr. Wang Shih Chang, George, Mr. Kwan Kai Cheong and Mr. Luk Koon Hoo will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

The Company has received from each of the independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

Directors' and Chief Executives' Interests in Securities of the Company

As at December 31, 2019, the interests and/or short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of HK$0.1 each of the Company

As at December 31, 2019, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,356,800,000 shares	75%

Note:

Of these shareholding interests, 1,356,800,000 shares of the Company are directly held by Hillwealth Holdings Limited ("Hillwealth") whose entire issued share capital is owned by Mr. Wong.

(b) Long position in shares of associated corporations of the Company

Name of director	Nature of interest	Name of associated corporation	Number of issued ordinary shares held	Percentage of the issued share of the same class in the associated corporation	Note
Mr. Wong	Corporate	Concord Properties Holding (Shanghai) Limited ("CPH (Shanghai)")	100 non-voting deferred class "B" shares of HK$1.00 each	100%	(iii)
	Personal	Hillwealth	1 share of US$1.00	100%	(iv)

Notes:

(iii) CPH (Shanghai) is an indirectly owned subsidiary of the Company. It has in issue 100 non-voting deferred class "B" shares (the rights attached to which are set out in the Prospectus), all of which are beneficially owned by Concord China Land Holdings Limited which is in turn beneficially and wholly owned by Pacific Concord Holding Limited ("PCH") (which is wholly owned by Mr. Wong).

(iv) As Hillwealth directly holds approximately 75% of the total issued share capital of the Company and thus being the holding company of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at December 31, 2019, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George was also director of PCH.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 34 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed in note 34 to the consolidated financial statements, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the related party transactions, certain of which also constitute connected transactions under the Listing Rules disclosed below, during the year are set out in note 35 to the consolidated financial statements.

Other than as disclosed above, no contracts of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and chief executives' interests in shares and underlying shares and debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at December 31, 2019 and as at the date of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2019, the Group had the following connected transactions under the Listing Rules. In the opinion of the directors, such connected transactions were conducted in the normal course of business.

Continuing connected transaction

Office rental and other charges

On July 31, 2008, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong (the "Principal Office") was entered into between Marnav Holdings Limited (an independent third party) of one part, and Frank Union Limited ("Frank Union") (an associate of Mr. Wong) and the Group of the other part. The Tenancy Agreement is effective from August 1, 2008 to July 31, 2011. The Tenancy Agreement was renewed on July 22, 2011 for a further term of three years from August 1, 2011 to July 31, 2014 and was further renewed for a term of three years from August 1, 2014 to July 31, 2017. As the Tenancy Agreement expired on July 31, 2017, on October 4, 2017, Magico Group Limited ("Magico ") (an indirect wholly-owned subsidiary of the Company) entered into a new tenancy agreement (the "New Tenancy Agreement") as a co-tenant with Oripuma Investments Limited, the new landlord, and Frank Union, the other co-tenant to lease the Principal Office for a further term of three years from August 1, 2017 to July 31, 2020.

A sharing agreement dated July 31, 2008 and subsequently renewed on July 22, 2011 and September 22, 2014 for a further term of three years from August 1, 2011 to July 31, 2014 and from August 1, 2014 to July 31, 2017 respectively (the "Sharing Agreement") was entered into between Frank Union and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties. As the Sharing Agreement expired on July 31, 2017, on October 4, 2017, Magico entered into a new sharing agreement (the "New Sharing Agreement") with Frank Union to specify their respective rights and liabilities under the New Tenancy Agreement for a further term of three years from August 1, 2017 to July 31, 2020.

Having regard to the fact that (i) the Company is to share at cost the rent, rates, service fee and utilities charges incurred in respect of the premises subject to the New Tenancy Agreement and New Sharing Agreement proportional to the area used; and (ii) the rent and service fee are negotiated and agreed with an independent third party, rates are imposed by the government and utilities charges by the relevant independent third party service providers, the Directors consider the terms of the New Tenancy Agreement and New Sharing Agreement to be on normal commercial terms and are fair and reasonable so far as the Company is concerned. The Directors are of the view that the transactions under the New Tenancy Agreement and New Sharing Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the shareholders as a whole.

During the year, a total amount of RMB4,245,000 was paid for the office rental and office premises expenses in relation to the use of the principal place of business of the Company in Hong Kong.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Mr. Wong, managing director of the Company, is interested in certain property development projects in the PRC. Pursuant to the option agreements entered into between the Company and Mr. Wong on February 8, 2007, the Company has the right to acquire most of the properties held, whether directly or indirectly, by Mr. Wong. In addition, pursuant to the non-competition deed dated February 8, 2007 signed by Mr. Wong in favour of the Company (the "Non-competition Deed"), Mr. Wong has undertaken to the Company to make necessary arrangements as stated in the Non-competition Deed to avoid competing with the business of the Group. Details of such arrangements are set out in the prospectus dated February 9, 2007 issued by the Company ("Prospectus").

The Company has received confirmation from Mr. Wong that he has complied with the terms of the Deed of Undertaking since the Listing and up to the date of this report. Furthermore, there was no new business opportunities referred from Mr. Wong to the Company during the same period.

Saved as disclosed above, during the year ended December 31, 2019 and up to the date of this report, none of the directors, the substantial shareholders or the management shareholders had any interests in any business which competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of total revenue.

The largest supplier of the Group by itself and taken together with the next four largest suppliers accounted for 4.9% and 18.0% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

EMOLUMENT POLICY

As at December 31, 2019, the Group had 382 employees in Hong Kong and in the PRC. The total staff costs incurred were approximately RMB35 million.

The Group remunerates its employees mainly with reference to individual performance, qualification, experience and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as individual performance. In addition, share options may be granted from time to time in accordance with the terms of the Company's approved share option scheme to provide incentives and rewards to the employees.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintain high standards of corporate governance. A report on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 29.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, there is sufficient public float of 25% of the Company's issued shares as required under the Listing Rules as at the latest practicable date prior to the issue of this report.

AUDITOR

Deloitte Touche Tohmatsu resigned and BDO Limited was appointed as the auditor of the Company for the year ended December 31, 2018. BDO continued in office as the Company's auditor for the year ended December 31, 2019. A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Dr. Wang Shih Chang, George
Chairman

Hong Kong, June 3, 2020

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TO THE MEMBERS OF CHINA PROPERTIES GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Properties Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 64 to 165, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the consolidated financial statements, the Group incurred a net loss of RMB282,985,000 for the year ended December 31, 2019 and as of December 31, 2019, the Group had net current liabilities of RMB6,504,560,000. In addition, as set out in note 22 and note 28 in the consolidated financial statements, as at December 31, 2019, certain borrowings of the Group were past due pursuant to the borrowing agreements and for which those lenders have taken legal action to demand repayment of those other borrowings. As stated in note 1, these events and conditions, along with other matters as set forth in note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Assessing the ownership risk of land use right	
We identified assessing the ownership risk of land use right related to certain Investment Properties located in Shanghai, PRC with the carrying amount of RMB23,144,910,000 as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the involvement of significant judgment by the management as to whether this land constituted idle land under the relevant PRC rules (the "Rules"). On November 6, 2019, Shanghai Jingan District Planning and Natural Resources Bureau ("Jingan Bureau") published on its official website that Jingan Bureau issued a determination letter of idle land identification on July 15, 2018 (the "Letter") to a subsidiary of the Company, Shanghai Jingan Concord Real Estate Co., Ltd ("Shanghai Jingan") (the "Determination"). The Determination referred to a parcel of land (lot #4) with total site area of 19,800 square meters which is located in southern portion of Shanghai Concord City Phase II (the "Target Land"). Phase I and Phase II of Shanghai Concord City Project comprised several adjacent pieces of land comprising total five parcels of land including the Target Land which were acquired by the Group from 1992 to 1994. The Determination identified the Target Land as idle land for the reason that the land parcel had not been developed and constructed by Shanghai Jingan to at least 60% of the construction area by June 30, 1997.	Our procedures in relation to the assessment of the ownership risk of the land use right in relation to the idle land issue arising from the Determination included: • Inspecting the documentation relating the Target Land, including land use right transfer contracts, correspondences between the Jingan Bureau and other relevant local/PRC government departments and the Company; • Obtaining representations from directors of the Company and management that we have been provided with all relevant documents and related information related to the Shanghai Concord City Project and the idle land issue; • Discussing the status and potential exposures in respect of the identification of idle land as set out in the Determination with management and Group's external counsel and obtained their opinions on the likely outcome based on current facts and circumstances and available information provided from management; • Engaging our own independent PRC legal counsel as auditor's expert and obtaining their opinion on the matters identified in the Determination;

KEY AUDIT MATTERS — Continued

Key audit matter	How our audit addressed the key audit matter
Assessing the ownership risk of land use right — Continued	
Further details of this matter are set out in note 4 to the consolidated financial statements.	• Challenging the assumptions and critical judgement made by management which impacted the assessment of the outcome by inspecting the underlying contract and relevant documentation; and by discussion with both parties' legal counsels and management to assess whether there were any indicators of management bias; • Assessing the adequacy of the Group's disclosures in respect of the significant judgement set out in note 4 to the consolidated financial statements
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgment associated with determining the fair value. The carrying value of the Group's investment properties amounted to approximately RMB54,142,956,000 as at December 31, 2019 and the fair value changes recorded in profit for the year in respect of investment properties was approximately RMB257,210,000.	Our procedures in relation to valuation of investment properties included: • obtaining valuation reports of the Group's investment properties performed by the Valuer and adopted by the management; • assessing the qualification, objectivity and experience of the Valuer;

KEY AUDIT MATTERS — Continued

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties — Continued	
The Group's investment properties comprise offices, carparks, and commercial buildings. The valuation was determined with the assistance of an independent professional valuer (the "Valuer"). As disclosed in note 15 to the consolidated financial statements, for completed investment properties, the valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developer profit margin so as to determine the value of the proposed development as if these were completed as at the date of valuation.	• evaluating the methodologies and assumptions, such as discount rates, reversionary rates and market rents, adopted in the valuation models based on our knowledge of the real estate industry; and • checking input data used in the valuation of the Group's investment properties, on a sample basis including rental income, tenancy schedules, capital expenditure details, acquisition cost schedules and development plan, on a sample basis, against appropriate supporting documents.

KEY AUDIT MATTERS — Continued

Key audit matter	How our audit addressed the key audit matter
Provision for legal disputes and disclosure of contingent liabilities under construction contracts	
We identified provision for legal disputes and disclosure of contingent liabilities under construction contracts as a key audit matter due to the involvement of estimation and significant judgment by the management in determining the adequacy of provision. As at December 31, 2019, the Group was the subject of several legal claims mainly in relation to disputes related to its various property construction projects. Where necessary, the management has engaged independent legal advisors to address the potential exposures arising from these legal proceedings. For the exposures where no provision has been made, the obligation to disclose the nature and estimation of contingent liabilities and possible financial impact also requires management's judgment in determining the appropriate disclosure in the consolidated financial statements. The relevant provision and contingent liabilities are disclosed in note 28 to the consolidated financial statements.	Our procedures in relation to provision for legal disputes and disclosure of contingent liabilities under construction contracts included: • reading related construction contracts, external and internal quantity surveyor reports and correspondence with contractors; • reading the analysis prepared by the Group's internal legal counsel and legal opinions issued by the independent legal advisors engaged by the Group, to evaluate the appropriateness of provision made for those cases; and • assessing the adequacy of the Group's disclosures in respect of its contingent liabilities and the provision for legal disputes set out in note 28 to the consolidated financial statements.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES 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 Hong Kong Financial Reporting Standards 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 directors are assisted by the audit committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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.

- 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.

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants
Jonathan Russell Leong
Practising Certificate Number P03246
Hong Kong
June 3, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
Revenue	6	**589,300**	96,079
Cost of sales		**(372,401)**	(52,954)
Gross profit		**216,899**	43,125
Other income, gains and losses, net	6	**(24,927)**	5,218
Net exchange loss		**(42,197)**	(45,579)
Selling expenses		**(8,963)**	(9,491)
Administrative expenses		**(723,553)**	(55,229)
Finance costs	7	**(1,068)**	—
Loss from operation before changes in fair value of investment properties and conversion option derivative		**(583,809)**	(61,956)
Changes in fair value of investment properties	15	**257,210**	560,886
Changes in fair value of conversion option derivative	24	**—**	2,456
(Loss)/profit before tax	9	**(326,599)**	501,386
Income tax credit/(expense)	8	**43,614**	(141,412)
(Loss)/profit and total comprehensive income for the year attributable to the owners of the Company		**(282,985)**	359,974
(Loss)/earnings per share			
Basic (RMB)	12	**(0.16)**	0.20
Diluted (RMB)	12	**(0.16)**	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**520,446**	409,775
Prepaid lease payments	14	**—**	89,785
Investment properties	15	**54,142,956**	53,422,046
		54,663,402	53,921,606
Current assets			
Properties under development for sale	16	**6,242,285**	6,000,219
Properties held for sale	17	**435,805**	402,843
Other receivables, deposits and prepayments	18	**212,304**	186,121
Pledged/restricted bank deposits	19	**32,542**	24,400
Bank balances and cash	19	**18,682**	37,163
		6,941,618	6,650,746
Current liabilities			
Contract liabilities	20	**725,309**	865,363
Construction costs accruals		**293,485**	295,734
Other payables and accruals		**864,733**	193,252
Amount due to a shareholder	21	**3,897,576**	3,498,137
Lease liabilities	32	**2,577**	—
Tax payables		**749,404**	706,318
Borrowings	22	**5,306,704**	4,906,423
15.0% fixed-rate senior notes, current portion	23	**1,606,390**	49,393
		13,446,178	10,514,620
Net current liabilities		**(6,504,560)**	(3,863,874)
Total assets less current liabilities		**48,158,842**	50,057,732
Non-current liabilities			
15.0% fixed-rate senior notes, non-current portion	23	**—**	1,526,929
Lease liabilities	32	**251**	—
Deferred tax liabilities	25	**10,892,011**	10,981,238
		10,892,262	12,508,167
Net assets		**37,266,580**	37,549,565

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
EQUITY			
Capital and reserves			
Share capital	26	**170,073**	170,073
Share premium and reserves		**37,096,507**	37,379,492
Total equity		**37,266,580**	37,549,565

The consolidated financial statements on pages 64 to 165 were approved and authorised for issue by the directors on June 3, 2020.

Dr. Wang Shih Chang, George
Director

Wong Sai Chung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Revaluation reserve**	**Special reserve**	**Other reserve**	**General reserve**	**Shareholder contribution reserve**	**Retained earnings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000 (note c)	RMB'000 (note d)	RMB'000	RMB'000
At January 1, 2018	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	32,190,566	37,189,591
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	359,974	359,974
At December 31, 2018	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	32,550,540	37,549,565
Loss and total comprehensive income for the year	—	—	—	—	—	—	—	(282,985)	(282,985)
At December 31, 2019	170,073	1,331,968	6,259	782,789	2,468,576	51,223	188,137	32,267,555	37,266,580

Notes:

(a) Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation ("Corporate Reorganisation") to rationalise the Group structure prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(b) Other reserve arose from the acquisition by Mr. Wong Sai Chung ("Mr. Wong"), the ultimate controlling shareholder of the Company, of the interests in the Company's subsidiaries owned by other shareholders and the implementation of the Corporate Reorganisation.

(c) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiaries established in the PRC may make an allocation to the general reserve from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.

(d) Shareholder contribution reserve represents the deemed contribution arising from the loan from a shareholder, Mr. Wong.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
(Loss)/profit before tax	**(326,599)**	501,386
Adjustments for:		
Amortisation of prepaid lease payments	**—**	44
Depreciation of property, plant and equipment	**5,010**	1,294
Changes in fair value of investment properties	**(257,210)**	(560,886)
Changes in fair value of conversion option derivative	**—**	(2,456)
Finance costs	**1,068**	—
Interest income	**(61)**	(499)
Loss/(gain) on disposal of investment properties	**25,246**	(4,673)
Loss on disposal of property, plant and equipment	**63**	—
Unrealised exchange loss, net	**42,197**	45,579
Operating cash flows before movements in working capital	**(510,286)**	(20,211)
Increase in properties under development for sale	**(212,426)**	(250,540)
Decrease in properties held for sale	**360,923**	25,017
Increase in other receivables, deposits and prepayments	**(26,183)**	(15,911)
(Decrease)/increase in contract liabilities	**(140,054)**	425,760
Increase in construction costs accruals	**1,994**	88,074
Increase in other payables and accruals	**671,481**	39,107
Cash generated from operations	**145,449**	291,296
PRC taxes paid	**(2,527)**	(3,355)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**142,922**	287,941
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(886)**	(3,235)
Additions to investment properties	**(231,405)**	(401,160)
Proceeds received from disposal of property, plant and equipment	**124**	—
Proceeds received from disposal of investment properties	**39,512**	15,767
Withdrawal of pledged/restricted bank deposits	**—**	186,041
Placement of pledged/restricted bank deposits	**(8,142)**	—
Interest received	**61**	499
NET CASH USED IN INVESTING ACTIVITIES	**(200,736)**	(202,088)

	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES		
New borrowings raised	**233,525**	1,572,315
Repayment of borrowings	**(277,171)**	(2,758,453)
Advance from a shareholder	**399,439**	1,414,728
Repayment of principal portion of the lease liabilities	**(3,627)**	—
Interest paid	**(312,833)**	(568,055)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**39,333**	(339,465)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(18,481)**	(253,612)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**37,163**	290,775
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by bank balances and cash	**18,682**	37,163

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

China Properties Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling shareholder is Mr. Wong, who is also the Managing Director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in property development and property investment in the PRC. The principal activities of its principal subsidiaries are set out in note 36.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of RMB282,985,000 for the year ended December 31, 2019. As of December 31, 2019, the Group has net current liabilities of RMB6,504,560,000 including construction costs accruals of RMB293,485,000, other payables and accruals of RMB864,733,000, amount due to shareholder of RMB3,897,576,000, borrowings of RMB5,306,704,000 and 15.0% fixed-rate senior notes of RMB1,606,390,000 (with the exception of amount due to shareholder, who has confirmed that he would not demand repayment until the Group has excess cash to repay) are due to be repaid within one year from the end of the reporting period.

In addition, certain of the borrowings referred to above amounting to RMB5,095,225,000 were due pursuant to the borrowing agreements. These lenders have taken legal action to demand repayment of these borrowings, details of which are set out in note 22 and note 28. The Group also had commitments for future construction contracted but not provided for in the consolidated financial statements of approximately RMB1,489,248,000 as set out in note 29.

Nevertheless, the consolidated financial statements have been prepared on the going concern basis because the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from December 31, 2019, after taking into consideration of the following:

1) the Group has signed a Letter of Intent with a PRC asset management company to refinance its borrowings with a loan for a term of three years (with an option to extend the loan for a further year) amounting to around RMB7,000,000,000. The directors consider that the Group will be able to obtain this loan to meet the Group's working capital requirements;

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS — Continued

2) confirmation from a shareholder, Mr. Wong, that he would not demand repayment of the amount due to him of RMB3,897,576,000 until the Group has excess cash to repay; and

3) the estimated proceeds from sales of properties held for sale and pre-sale of properties under development for sale of projects in Shanghai and Chongqing.

There is a material uncertainty related to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realizable values, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Adoption of new/revised HKFRSs — effective January 1, 2019

The Group has applied the following new/revised HKFRSs and amendments issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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 these new/revised HKFRSs and amendments in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in this consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Adoption of new/revised HKFRSs — effective January 1, 2019 — Continued

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the simplified transition approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of December 31, 2018 to that of January 1, 2019 as follows:

	RMB'000
Statement of financial position as at January 1, 2019	
Increase in property, plant and equipment	96,194
Decrease in prepaid lease payments	(89,785)
Increase in lease liabilities (non-current)	2,793
Increase in lease liabilities (current)	3,616

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of December 31, 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at January 1, 2019:

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Adoption of new/revised HKFRSs — effective January 1, 2019 — Continued

(i) Impact of the adoption of HKFRS 16 — Continued

Reconciliation of operating lease commitment to lease liabilities

	RMB'000
Operating lease commitment as of December 31, 2018 (Note 32)	7,721
Add: leases included in extension option which the Group considers reasonably certain to exercise	243
Less: future interest expenses	(1,555)
Total lease liabilities as of January 1, 2019	6,409
The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at January 1, 2019	16.62%

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate 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, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Adoption of new/revised HKFRSs — effective January 1, 2019 — Continued

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The right-of-use asset is amortized over the lease term on a straight-line basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Adoption of new/revised HKFRSs — effective January 1, 2019 — Continued

(iii) Accounting as a lessee — Continued

Right-of-use asset — Continued

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be amortised over the lease term on a straight-line basis. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

Adoption of new/revised HKFRSs — effective January 1, 2019 — Continued

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the simplified transition approach and recognised all the cumulative effect of initially applying HKFRS 16, as an adjustment to the opening balance at the date of initial application (January 1, 2019). The effect of this adjustment is set out in (i) of this note. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of January 1, 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019.

The Group has elected to recognise all the right-of-use assets at January 1, 2019 for leases previously classified as operating leases under HKAS 17 as if HKFRS 16 had been applied since the date of initial application, and measured at amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has relied on the previous assessment for the provision for onerous contract as at December 31, 2018 as affirmative to preforming an impairment review at January 1, 2019.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) exclude the initial direct costs from the measurement of the right-of-use asset at January 1, 2019 and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective:

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

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

New/revised HKFRSs that have been issued but are not yet effective — Continued

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process". Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 — Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — Continued

New/revised HKFRSs that have been issued but are not yet effective — Continued

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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 a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those 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 HKFRS 16 "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".

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

3. SIGNIFICANT ACCOUNTING POLICIES — 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 entirety, 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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

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

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

For revenue from sale of properties and pre-completion contracts for the sale of development properties in the ordinary course of business, customers obtain control of the properties when the properties are delivered to and have been accepted. Revenue is thus recognised when the customers accept the properties. There is no other goods or services agreed to be provided in the contract and in practice. There is generally only one performance obligation. Payments are usually received in advance and recognised as contract liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Revenue recognition — Continued

Service income is recognised over time as those services are provided. Customers receive the services, which contain certain performance obligation with the same pattern of transfer, such as security service and cleaning service, when those services are provided. Invoices are usually payable on presentation. HKFRS 15 did not result in significant impact on the Group's accounting policies.

Interest income 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. For financial assets measured at amortised cost that are not credit-impaired at the date of acquisition, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial asset, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance described in the accounting policy for financial instruments below) of the asset.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

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

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

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) 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.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

Leasehold land and building (accounting policies applied until December 31, 2018)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Leasehold land and buildings under development for future owner-occupied purpose (accounting policies applied until December 31, 2018)

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised on a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured 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 property 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.

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Cost comprises both the prepaid lease payments for the land and development cost for the property. Net realisable value takes into account the price ultimately expected to be realised, less applicable selling expenses and the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sale.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development costs attributable to the properties held for sale, other costs that have been incurred in bringing the properties to their existing condition such as finance costs are capitalised.

Financial instruments

Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

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

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

Financial assets — Continued

Debt instruments — Continued

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) twelve months ECLs: these are the ECLs that result from possible default events within the twelve months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured 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. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

Impairment loss on financial assets — Continued

For other debt financial assets, the ECLs are based on the twelve-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) 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); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

Financial liabilities — Continued

Financial liabilities at FVTPL — Continued

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including construction costs accruals, other payables and accruals, borrowings, amount due to a shareholder and 15.0% fixed-rate senior notes are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss or, where certain conditions are met, capitalised in qualifying assets.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its 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.

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. An impairment loss is recognised immediately in profit or loss.

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 immediately in profit or loss.

Leasing (accounting policies applied from January 1, 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months, if any. The lease payments associated with those leases have been expensed in straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Leasing (accounting policies applied from January 1, 2019) — Continued

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are generally depreciated over the shorter of the assets' useful life and the lease term (including the extension option period, as appropriate) on a straight-line basis. If the Group is reasonably certain to exercise a purchase option (if any), the right-of-use asset is depreciated over the underlying asset's useful life.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 as investment properties and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are amortised over the shorter of assets' useful life and the lease term on a straight-line basis.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Leasing (accounting policies applied from January 1, 2019) — Continued

Accounting as a lessor

The Group has leased out certain of its investment properties to a number of tenants. 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 recognised as an expense on the straight-line basis over the lease term.

Leasing (accounting policies applied until December 31, 2018)

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.

The Group as lessor

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. Other than investment properties measured under fair value model, such costs are recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

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

Capitalisation of borrowing costs

Borrowing costs including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs which are 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 difference 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 initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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 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 each 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 rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Taxation — Continued

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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxes 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 taxes 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).

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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 that 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 arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes (both are defined contribution retirement schemes) are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Related parties

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

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

(b) An entity is related to the Group if any of the following conditions apply:

- (i) 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).
- (ii) 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).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

3. SIGNIFICANT ACCOUNTING POLICIES — Continued

Related parties — Continued

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

Except as disclosed elsewhere in the consolidated financial statements, the following is the critical judgment that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Land use right — Shanghai Concord City Phase II — Southern portion

In April 1999, the PRC Ministry of Land and Resources introduced certain rules ("Rules on the Disposal of Idle Land" or "Rules") to deal with state-owned land designated for development purposes, where the land owner did not commence construction within a reasonable time. These Rules were subsequently revised in 2012. The Rules were introduced to tackle government corruption in land hoarding and prevent abuse of administrative power, but also introduced a mechanism for the authorities to take back state-owned land with no compensation if development of the land had not commenced within an agreed/reasonable time.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Critical judgment in applying accounting policies — Continued

Land use right — Shanghai Concord City Phase II — Southern portion — Continued

On November 6, 2019, Shanghai Jingan District Planning and Natural Resources Bureau ("Jingan Bureau") published on its official website that Jingan Bureau issued a determination letter of idle land identification on July 15, 2018 (the "Letter") to a subsidiary of the Company, Shanghai Jingan Concord Real Estate Co., Ltd ("Shanghai Jingan") (the "Determination"). The Determination referred to a parcel of land (lot #4) with total site area of 19,800 square meters which is located in the southern portion of Shanghai Concord City Phase II (the "Target Land"). The overall Concord City Project comprised several adjacent pieces of land comprising Land Lots #1, #3, #4, #5 & #7 located at Yongyuanbang, Nanjing West Road, Shanghai, which were acquired by the Group from 1992 to 1994. Phase I of Concord City Project comprising of Land Lot #1 & #7 was developed into a residential and shopping complex and was completed in around 2002. Phase II comprising Land Lot #3, #4 & #5 was intended to be developed in two parts — North Concord City (Land Lot #3 & #5) was to be developed into a hotel and retail complex and South Concord City was to be developed into a commercial/residential complex. Construction on North Concord City commenced in 2008 and was completed in around 2015. South Concord City represents Land Lot #4 (also referred to as Target Land) and no construction has commenced to date as there are several changes for the Zoning Plan from Jingan Bureau and relevant government departments.

The Determination identified the Target Land as idle land for the reason that the land parcel has not been developed and constructed by Shanghai Jingan to at least 60% of the construction area by June 30, 1997.

However, the directors of the Company did not at any time receive the Letter, which is a critical part of the legal procedure under the Rules and only became aware of this matter when Jingan Bureau published the Determination on its website on November 6, 2019. In addition the directors consider the requirement to complete at least 60% of construction on Target Land by June 30, 1997 to be invalid because amongst other things the land Lot #4 was significantly enlarged by way of supplementary agreement with Shanghai authorities in 2000, invalidating the original land transfer agreement and the Target Land was only handed over to the Group in 2003.

With the advice of its legal advisors, the directors of the Company are of the view that the Group has sound legal grounds to argue the Target Land does not constitute idle land as alleged in the Determination and is in the process of dealing with Jingan Bureau to resolve the Determination.

However, the final outcome of the Determination is uncertain and there is no guarantee that the Group will be successful in this matter. If the Group is not successful in this regard, the Group may need to recognise a loss before tax amounting to approximately RMB23,144,910,000 being the carrying value of the Target Land recognised within investment properties under construction in the Statement of Financial Position at December 31, 2019.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Critical judgment in applying accounting policies — Continued

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

Going concern basis

As disclosed in note 1, the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into account of all relevant available information about the future of the Group, including cash flow forecast of the Group covering a period up to March 31, 2021. Such forecast about the future inherently involve various assumptions and uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Key sources of estimation uncertainty — Continued

Estimate of fair value of investment properties under construction

As described in note 15, investment properties under construction are mainly measured at fair value at the end of each reporting period using a residual method with the assistance of independent professional valuers. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation are appropriate, reasonable and reflect market conditions. Where there are any changes in the assumptions due to the market conditions in the PRC, the estimate of fair value of investment properties under construction may be significantly affected. As at December 31, 2019, investment properties under construction revalued using the residual method amounted to approximately RMB51,560,021,000 (2018: RMB50,729,171,000).

Estimate of net realisable value of properties under development for sale and properties held for sale

As at December 31, 2019, properties under development for sale of approximately RMB6,242,285,000 (2018: RMB6,000,219,000) and properties held for sale of approximately RMB435,805,000 (2018: RMB402,843,000) are stated at lower of cost and net realisable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is determined by estimating the selling price less selling expenses and costs of completion (if any), which are estimated based on best available information. Where there are any decrease in the estimated selling price arising from any change to the market conditions in the PRC, there may be impairment losses recognised on the properties under development for sale and properties held for sale.

Land appreciation taxes

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditure.

The Group is subject to LAT in the PRC which has been included in income tax expense of the Group. Significant judgment is required in determining the amount of land appreciation and the related taxes. The Group recognises these liabilities based on the management's best estimates. Where the final outcome of this matter is different from the amounts that were initially recorded, such differences will impact the income tax expense in the period in which such determination is made. As at December 31, 2019, the Group has LAT payable of approximately RMB577,765,000 (2018: RMB559,005,000) included in tax payable.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — Continued

Key sources of estimation uncertainty — Continued

Provision for legal disputes and contingent liabilities under construction contracts

As at December 31, 2019, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. Determining whether provision for construction costs in dispute is necessary requires an estimation of probability that an outflow of resources embodying economic benefits is required to settle the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. Based on advice from the Group's independent legal advisors or internal legal counsel, those outstanding legal claims that are still in preliminary stage and the final outcome of which it is not possible to determine at this stage amounted to approximately RMB94 million (2018: RMB74 million) in aggregate. In the opinion of the directors of the Company, the Group has possible obligation in relation to these legal disputes; however, a sufficiently reliable estimate of the amount of the obligation cannot be made at the end of the reporting period. Disclosure of such contingent liabilities has been made in note 28. As a result, an amount of RMB94 million (2018: RMB74 million) has been disclosed as contingent liabilities and such amount has not been included in construction cost accruals nor has provision made in the consolidated financial statements.

5. SEGMENT INFORMATION

(a) The Company's Chief Executive Officer is the chief operating decision maker ("CODM"). The Group is principally operating in two operating locations and engaged in three principal business activities. Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the operating locations of each principal business activity. The principal locations are Shanghai and Chongqing in the PRC. The Group's operating segments under HKFRS 8 are therefore as follows:

Property development	—	Shanghai
(developing and selling of properties)	—	Chongqing
Property investment	—	Shanghai
(leasing of investment properties)	—	Chongqing
Others		

No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

Information regarding the above segments is presented below.

5. SEGMENT INFORMATION — Continued

(a) — Continued

Segment revenue and results

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

For the year ended December 31, 2019

	Property development		Property investment			
	Shanghai RMB'000	**Chongqing RMB'000**	**Shanghai RMB'000**	**Chongqing RMB'000**	**Others RMB'000**	**Total RMB'000**
Revenue						
External revenue	**137,783**	**439,269**	**1,881**	**2,278**	**8,089**	**589,300**
Segment profit/(loss)	**100,159**	**115,971**	**87,620**	**173,749**	**(3,390)**	**474,109**
Other income, gains and losses, net						**(24,927)**
Net exchange loss						**(42,197)**
Finance cost						**(1,068)**
Unallocated Items						**(732,516)**
Loss before tax						**(326,599)**

For the year ended December 31, 2018

	Property development		Property investment			
	Shanghai RMB'000	Chongqing RMB'000	Shanghai RMB'000	Chongqing RMB'000	Others RMB'000	Total RMB'000
Revenue						
External revenue	12,732	72,684	176	1,382	9,105	96,079
Segment profit/(loss)	10,302	44,971	267,472	294,973	(998)	616,720
Other income, gains and losses, net						5,218
Net exchange loss						(45,579)
Unallocated items						(74,973)
Profit before tax						501,386

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by (loss incurred from) each segment including the changes in fair value of investment properties, without allocation of other income, gains and losses, finance costs, net exchange loss, selling expenses and administrative expenses including directors' emoluments. This is the measure reported to the Company's Managing Director for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION — Continued

(a) — Continued

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment which is also the information presented to the Company's Managing Director:

	2019 **RMB'000**	2018 RMB'000
Segment assets:		
Property development		
— Shanghai	**1,326,699**	1,280,661
— Chongqing	**5,351,391**	5,122,401
Property investment		
— Shanghai	**42,477,981**	42,032,724
— Chongqing	**11,664,975**	11,389,322
Others	**483,520**	464,831
Segment total	**61,304,566**	60,289,939
Unallocated assets	**300,454**	282,413
Consolidated assets	**61,605,020**	60,572,352
Segment liabilities:		
Property development		
— Shanghai	**911,152**	881,661
— Chongqing	**1,989,645**	1,967,357
Property investment		
— Shanghai	**3,352,486**	3,215,828
— Chongqing	**1,486,403**	1,400,514
Others	**267,343**	247,824
Segment total	**8,007,029**	7,713,184
Unallocated liabilities	**16,331,411**	15,309,603
Consolidated liabilities	**24,338,440**	23,022,787

5. SEGMENT INFORMATION — Continued

(a) — Continued

Segment assets and liabilities — Continued

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

- all assets are allocated to operating and reporting segments other than certain property, plant and equipment, certain prepaid lease payments, other receivables, deposits and prepayments, pledged bank deposits, and bank balances and cash, which are commonly used among segments or used for corporate operation.

- all liabilities are allocated to operating and reporting segments other than certain other payables and accruals, amount due to a shareholder, tax payable and deferred tax liabilities, which are corporate liabilities that are not allocated to any segment. Borrowings and fixed-rate senior notes are allocated on a consistent basis with certain finance costs capitalised.

Other segment information

For the year ended December 31, 2019

	Property development		Property investment			Segment		
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Total	Adjustments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
							(Note (a))	
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	85,738	171,472	—	257,210	—	257,210
Additions to non-current assets (Note b)	—	—	440,580	111,784	66	552,430	187	552,617
Depreciation of property, plant and equipment	—	—	—	—	3,114	3,114	6,426	9,540
Loss on disposal of investment properties	—	—	—	—	—	—	25,246	25,246

5. SEGMENT INFORMATION — Continued

(a) — Continued

Other segment information — Continued

For the year ended December 31, 2018

	Property development		Property investment			Segment		
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Total	Adjustments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note (a))	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	267,296	293,590	—	560,886	—	560,886
Additions to non-current assets (Note b)	—	—	565,882	280,679	11	846,572	4,769	851,341
Depreciation of property, plant and equipment	—	—	—	—	—	—	2,679	2,679
Gain on disposal of investment properties	—	—	—	—	—	—	4,673	4,673
Amortisation of prepaid lease payments	—	—	—	—	3,105	3,105	44	3,149

Notes:

(a) All amounts included in the measure of segment profit or loss or segment assets are allocated to operating segments other than certain additions to non-current assets, depreciation of property, plant and equipment, loss/gain on disposal of investment properties and amortisation of prepaid lease payments which are related to unallocated assets commonly used between segments or used for corporate operation.

(b) Non-current assets include investment properties, property, plant and equipment and prepaid lease payments.

Geographical information

All revenue of the Group are derived from operations in the PRC.

Non-current assets of the Group are mainly located in the PRC (group entities' country of domicile).

5. SEGMENT INFORMATION — Continued

(a) — Continued

Information about major customer

For the years ended December 31, 2019 and 2018, no revenue from a customer of the corresponding year contributed over 10% of the total revenue of the Group.

(b) In the following table, revenue under HKFRS 15 is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

Disaggregation of revenue

For the year ended December 31

	Sales of properties				Property management income		Total	
	Shanghai		Chongqing					
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Timing of revenue recognition								
At a point in time	**137,783**	12,732	**439,269**	72,684	**—**	—	**577,052**	85,416
Transferred over time	**—**	—	**—**	—	**8,089**	9,105	**8,089**	9,105
	137,783	12,732	**439,269**	72,684	**8,089**	9,105	**585,141**	94,521

6. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

	2019 RMB'000	2018 RMB'000
Revenue		
Sales of properties	**577,052**	85,416
Property rental income	**4,159**	1,558
Property management income	**8,089**	9,105
	589,300	96,079
Other income, gains and losses, net		
(Loss)/gain on disposal of investment properties	**(25,246)**	4,673
Interest on bank deposits	**61**	499
Others	**258**	46
	(24,927)	5,218
Total revenue and other income, gains and losses, net	**564,373**	101,297

7. FINANCE COSTS

	2019	2018
	RMB'000	RMB'000
Interest on other borrowings	**518,097**	581,690
Interest on bank borrowings	**780**	718
Effective interest expense on 13.5% fixed-rate senior notes	**—**	183,720
Effective interest expense on 15.0% fixed-rate senior notes	**242,728**	49,289
Effective interest expense on convertible note	**—**	45,681
Interest on lease liabilities	**1,068**	—
Total finance costs	**762,673**	861,098
Less: Amount capitalised in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sale	**(761,605)**	(861,098)
	1,068	—

Borrowing costs capitalised during the year arising on specific borrowings amounted to approximately RMB112,266,000 (2018: RMB490,003,000). Borrowing costs capitalised during the year arising on the general borrowing pool amounted to approximately RMB649,339,000 (2018: RMB371,095,000) and was calculated by applying a capitalisation rate of 15.96% per annum (2018: 17.36%) per annum to expenditure on qualifying assets.

8. INCOME TAX CREDIT/(EXPENSE)

	2019	2018
	RMB'000	RMB'000
Current tax:		
Enterprise Income Tax ("EIT")/Land Appreciation Tax ("LAT") in the PRC	**(45,613)**	(1,191)
Deferred tax credit/(expense) (Note 25):		
Current year	**89,227**	(140,221)
	43,614	(141,412)

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 group entities is 25% for both years.

8. INCOME TAX CREDIT/(EXPENSE) — Continued

Under the Provisional Regulations on Land Appreciation Tax implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowings costs and all property development expenditures.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Income tax credit/(expense) for the year can be reconciled from the (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	RMB'000	RMB'000
(Loss)/profit before tax	**(326,599)**	501,386
Tax at PRC enterprise income tax rate of 25%	**81,650**	(125,347)
Tax at PRC LAT rates ranging from 30% to 60%	**(20,589)**	(490)
Tax effect of expenses not deductible for tax purpose	**(14,822)**	(26,524)
Tax effect of income not taxable for tax purpose	**—**	17,568
Tax loss not recognised	**(12,629)**	(6,619)
Tax loss utilised	**10,004**	—
Income tax credit/(expense) for the year	**43,614**	(141,412)

9. (LOSS)/PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
(Loss)/profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (Note 10)	**1,247**	1,255
Other staff costs		
— salaries and other benefits	**28,508**	23,835
— contributions to retirement benefits schemes	**5,123**	6,248
Total staff costs	**34,878**	31,338
Less: Amount capitalised in investment properties under construction and properties under development for sale	**(9,019)**	(4,328)
	25,859	27,010
Auditors' remuneration	**2,654**	2,223
Amortisation of prepaid lease payments	**—**	3,149
Less: Amount capitalised in construction in progress under property, plant and equipment	**—**	(3,105)
	—	44
Depreciation of property, plant and equipment (Note 13)	**9,540**	2,679
Less: Amount capitalised in properties under development for sale	**(4,530)**	(1,385)
	5,010	1,294
Cost of properties sold (included in cost of sales)	**360,923**	42,851
Loss on disposal of property, plant and equipment	**63**	—
Gross rental income from investment properties	**4,159**	1,558
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**(12)**	(33)
	4,147	1,525
Provision for settlement fee and other relevant cost incurred in respect of the litigations with certain lenders	**614,120**	—

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

	2019 RMB'000	2018 RMB'000
Fees	**1,007**	1,015
Salaries and allowances	**240**	240
	1,247	1,255

Directors' and chief executive's emoluments

The emoluments paid to the directors and chief executive were as follows:

For the year ended December 31, 2019

	Fee RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
Executive directors:				
Dr. Wang Shih Chang, George	—	—	—	—
Mr. Wong (Note (a))	—	—	—	—
Mr. Xu Li Chang	—	240	—	240
	—	240	—	240
Non-executive director:				
Mr. Kwan Kai Cheong	212	—	—	212
Independent non-executive directors:				
Mr. Warren Talbot Beckwith	212	—	—	212
Mr. Cheng Chaun Kwan, Michael (Note (b))	159	—	—	159
Mr. Luk Koon Hoo	212	—	—	212
Dr. Garry Alides Willinge	212	—	—	212
	795	—	—	795
	1,007	240	—	1,247

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS — Continued

Directors' and chief executive's emoluments — Continued

For the year ended December 31, 2018

	Fee RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
Executive directors:				
Dr. Wang Shih Chang, George	—	—	—	—
Mr. Wong (Note (a))	—	—	—	—
Mr. Xu Li Chang	—	240	—	240
	—	240	—	240
Non-executive director:				
Mr. Kwan Kai Cheong	203	—	—	203
Independent non-executive directors:				
Mr. Warren Talbot Beckwith	203	—	—	203
Mr. Cheng Chaun Kwan, Michael	203	—	—	203
Mr. Luk Koon Hoo	203	—	—	203
Dr. Garry Alides Willinge	203	—	—	203
	812	—	—	812
	1,015	240	—	1,255

Notes:

(a) Mr. Wong is also the chief executive of the Company and no emoluments for his services rendered as the chief executive was provided by the Group.

(b) The disclosed emoluments for Mr. Cheng Chaun Kwan, Michael represented the emoluments received or receivable before his retirement of directorship on September 30, 2019.

The executive director's emolument shown above was for his service in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' and non-executive director's emoluments shown above were for their services as directors of the Company.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS — Continued

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group did not include any director and chief executive of the Company for both years, details of whose emoluments are set out above.

The emoluments of the five highest paid individuals (2018: five) were as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and allowances	**4,231**	4,827
Retirement benefits scheme contributions	**112**	127
	4,343	4,954

Their emoluments were within the following bands:

	2019 **Number of employees**	2018 Number of employees
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	5	5

During both years, no remuneration was paid by the Group to any of the directors and chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and chief executive waived any remuneration during both years.

11. DIVIDEND

No dividend was paid or declared during the year ended December 31, 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

12. (LOSS)/EARNINGS PER SHARE

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

	2019	2018
	RMB'000	RMB'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**(282,985)**	359,974
Effect of dilutive potential ordinary shares:		
— Change in fair value of conversion option derivative	**—**	(2,456)
(Loss)/earnings for the purpose of diluted earnings per share	**(282,985)**	357,518

	2019	2018
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	**1,809,077**	1,809,077
Effect of dilutive potential ordinary shares:		
— Convertible note	**—**	206,612
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,809,077**	2,015,689

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Right-of-use asset: Leasehold land	Right-of-use asset: Properties leased for own use	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At January 1, 2018	19,873	41	11,628	9,303	337,714	53,577	—	432,136
Additions	—	—	19	120	30,250	—	—	30,389
Disposals	—	—	(131)	(138)	—	—	—	(269)
At December 31, 2018	19,873	41	11,516	9,285	367,964	53,577	—	462,256
Initial application of HKFRS 16 Leases (Note 2(i))	—	—	—	—	—	124,465	6,409	130,874
At January 1, 2019 (Restated)	19,873	41	11,516	9,285	367,964	178,042	6,409	593,130
Additions	80	—	224	230	23,625	—	—	24,159
Disposals	—	—	—	(187)	—	—	—	(187)
Exchange adjustment	—	—	—	—	—	—	45	45
At December 31, 2019	19,953	41	11,740	9,328	391,589	178,042	6,454	617,147
DEPRECIATION								
At January 1, 2018	11,537	41	9,622	8,650	—	20,090	—	49,940
Provided for the year (Note 9)	920	—	222	198	—	1,339	—	2,679
Eliminated on disposals	—	—	—	(138)	—	—	—	(138)
At December 31, 2018	12,457	41	9,844	8,710	—	21,429	—	52,481
Initial application of HKFRS 16 Leases (Note 2(i))	—	—	—	—	—	34,680	—	34,680
At January 1, 2019 (Restated)	12,457	41	9,844	8,710	—	56,109	—	87,161
Provided for the year (Note 9)	966	—	186	124	—	4,488	3,776	9,540
At December 31, 2019	13,423	41	10,030	8,834	—	60,597	3,776	96,701
CARRYING VALUES								
At December 31, 2019	6,530	—	1,710	494	391,589	117,445	2,678	520,446
At December 31, 2018	7,416	—	1,672	575	367,964	32,148	—	409,775

13. PROPERTY, PLANT AND EQUIPMENT — Continued

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	Shorter of lease terms and 4.5%
Leasehold improvements	Shorter of the remaining term of the land lease on which the buildings are located and 4.5%
Office equipment, furniture and fixtures	18%–19%
Motor vehicles	18%–19%
Right-of-use assets	Over the shorter of the assets' useful life and lease term

Certain of the Group's leasehold land, buildings and construction in progress with a carrying value of approximately RMB32,399,000 (2018: RMB32,148,000), RMB6,530,000 (2018: RMB2,791,000) and RMB335,397,000 (2018: RMB310,438,000) respectively were pledged to secure certain borrowing facilities granted to the Group.

14. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments represents land use rights in the PRC. Certain of the Group's prepaid lease payments with a carrying amount of approximately Nil (2018: RMB1,815,000) were pledged to secure certain borrowing facilities granted to the Group.

15. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
FAIR VALUE		
Completed properties held for rental purpose (Note):		
At the beginning of the year	**2,692,875**	2,692,011
Disposals	**(64,758)**	(11,094)
Net changes in fair value recognised in profit or loss	**(45,182)**	11,958
At the end of the year	**2,582,935**	2,692,875
Investment properties under construction:		
At the beginning of the year	**50,729,171**	49,359,290
Additions	**528,458**	820,953
Net changes in fair value recognised in profit or loss	**302,392**	548,928
At the end of the year	**51,560,021**	50,729,171
Total	**54,142,956**	53,422,046
Unrealised gain on properties revaluation included in profit or loss for the financial year	**257,210**	560,886

Note: As at December 31, 2019, included in the Group's completed properties held for rental purpose, are properties in Shanghai, namely, Phase 1 of Shanghai Concord City with carrying amount of approximately RMB2,248,200,000 (2018: RMB2,230,410,000); of which 100% (2018: 100%) is currently unoccupied and strategically reserved for lease in the future because the Group plans to restructure the mixture of the tenants. As part of the Group's marketing strategy, upon the completion of the northern portion of Phase 2 of Shanghai Concord City ("Phase 2 North Portion"), the Group will then recruit their target tenants for both Phase 1 and Phase 2 North Portion of Shanghai Concord City.

The investment properties are under Level 3 fair value measurements. At the end of each reporting period, the senior management works closely with an independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs. Discussion of valuation process and results are held between senior management and the directors of the Company at least twice a year.

The fair values of the Group's investment properties at December 31, 2019 and 2018 were determined with the assistance of Vincorn Consulting and Appraisal Limited ("Vincorn") in respect of the properties situated in Shanghai and Chongqing, the PRC. Vincorn is an independent qualified professional valuer not connected with the Group, a member of the Institute of Valuers and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

15. INVESTMENT PROPERTIES — Continued

The fair values of investment properties in Shanghai and Chongqing as at December 31, 2019 determined with the assistance of independent professional valuer were approximately RMB42,477,981,000 (2018: RMB42,032,724,000) and RMB11,664,975,000 (2018: RMB11,389,322,000) respectively. For completed investment properties, the valuations have been arrived at using the capitalisation of net income method based on the present value of the income to be derived from the properties. For the completed properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. For investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developer profit margin so as to determine the value of the proposed development as if these were completed as at the date of valuation. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies.

At December 31, 2019, the overall development areas on two pieces of land plot located in Chongqing is awaiting the government's final approval to develop Chongqing International Commerce Centre ("CQICC") with gross floor area of 2,050,000 square meter. At December 31, 2019, the fair value of these two pieces of land in Chongqing amounted to approximately RMB4,980,935,000 (2018: RMB4,907,752,000).

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

There was no transfer between different levels of the fair value hierarchy for the years ended December 31, 2019 and 2018. Details of the Group's investment properties and information about the valuations under Level 3 of the fair value hierarchy as at December 31, 2019 and 2018 are as follows:

	2019	2018
	RMB'000	RMB'000
Investment Properties		
Retail	**49,454,859**	48,882,279
Office	**4,688,097**	4,539,767
Total	**54,142,956**	53,422,046

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs

Description	Fair value as at December 31, 2019 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(1) Completed properties — fair values determined by Vincorn					
Shanghai Cannes and Phase 1 of Shanghai Concord City					
Retail	**2,582,935**	Income capitalisation approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Shanghai cannes) 3% (for Phase 1 of Shanghai Concord City)	The higher the gross capitalization rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB393 per square meter per month (for Shanghai Cannes) RMB1,616 per square meter per month (for Phase 1 of Shanghai Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	50%–80% (for Shanghai Cannes) 40%–80% (for Phase 1 of Shanghai Concord City)	The higher the expected occupancy rate, the higher the fair value.
			(iv) Discount rate	9% (for Shanghai Cannes) 8% (for Phase 1 of Shanghai Concord City)	The higher the discount rate, the lower the fair value.
			(v) Rental growth rate	5% (for Shanghai Cannes) 6% (for Phase 1 of Shanghai Concord City)	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2019 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn					
Shanghai Commercial Street at Minhang District ("Minhang"), Huashan Building ("Huashan") and Phase 2 of Shanghai Concord City ("Phase 2 of SH Concord City")					
Retail	**37,816,696**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Minhang) 3–4% (for Huashan and Phase 2 of SH Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB620 per square meter per month (for Minhang) RMB1,954 per square meter per month (for Huashan and Phase 2 of SH Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	80%–98%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	10%–20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB10,816 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	8%–9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%–6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	5%–6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2019 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Shanghai Phase 2 of Shanghai Concord City					
Office	**2,078,350**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	4%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB414 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	85%–95%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB8,000 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2019 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Manhattan City					
Retail	**1,689,672**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	8%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB233 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	25%–30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB5,892 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2019 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Concord City					
Retail	**3,233,585**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB860 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB9,954 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2019 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Concord City — Continued					
Office	**1,760,783**	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB30,888 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2019 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing International Commerce Centre					
Retail	**4,131,971**	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB495 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	60%–85%	The higher the expected occupancy rates, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vi) Construction cost	RMB10,777 per square meter	The higher cost, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2019 RMB'000	Valuation techniques	Unobservable inputs		Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued						
Chongqing International Commerce Centre — Continued						
Office	**848,964**	Residual approach	(i)	Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB23,255 per square meter	The higher the selling price, the higher the fair value.
			(ii)	Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii)	Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv)	Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v)	Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
	51,560,021					

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(1) Completed properties — fair values determined by Vincorn					
Shanghai Cannes and Phase 1 of Shanghai Concord City					
Retail	2,692,875	Income capitalisation approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Shanghai cannes) 3% (for Phase 1 of Shanghai Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB382 per square meter per month (for Shanghai Cannes) RMB1,545 per square meter per month (for Phase 1 of Shanghai Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	50%–80% (for Shanghai Cannes) 40%–80% (for Phase 1 of Shanghai Concord City)	The higher the expected occupancy rate, the higher the fair value.
			(iv) Discount rate	9% (for Shanghai Cannes) 8% (for Phase 1 of Shanghai Concord City)	The higher the discount rate, the lower the fair value.
			(v) Rental growth rate	5% (for Shanghai Cannes) 6% (for Phase 1 of Shanghai Concord City)	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn					
Shanghai Commercial Street at Minhang District ("Minhang"), Huashan Building ("Huashan") and Phase 2 of Shanghai Concord City ("Phase 2 of SH Concord City")					
Retail	37,228,859	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	6% (for Minhang) 3–4% (for Huashan and Phase 2 of SH Concord City)	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB599 per square meter per month (for Minhang) RMB1,710 — RMB1,800 per square meter per month (for Huashan and Phase 2 of SH Concord City)	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	80%–98%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	10%–20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB9,955 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	8%–9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%–6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	5%–6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Shanghai Phase 2 of Shanghai Concord City					
Office	2,110,990	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	4%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB405 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	85%–95%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	20%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB8,000 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	9%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	6%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Manhattan City					
Retail	1,547,031	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	8%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB228 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	25%–30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB3,536 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	5%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Concord City					
Retail	3,262,767	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB844 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	65%–85%	The higher the expected occupancy rate, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Construction cost	RMB7,439 per square meter	The higher the cost, the lower the fair value.
			(vi) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing Concord City — Continued					
Office	1,671,772	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB30,404 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing International Commerce Centre					
Retail	4,150,747	Residual approach	(i) Gross capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions	7%	The higher the gross capitalisation rate, the lower the fair value.
			(ii) Market rent, taking into account the differences in location, and individual factors, such as frontage and building age, between the comparables and the property	RMB481 per square meter per month	The higher the market rent, the higher the fair value.
			(iii) Expected occupancy rate	60%–85%	The higher the expected occupancy rates, the higher the fair value.
			(iv) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(v) Discount rate	10%	The higher the discount rate, the lower the fair value.
			(vi) Construction cost	RMB5,614 per square meter	The higher cost, the lower the fair value.
			(vii) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
			(viii) Rental growth rate	6%	The higher the rental growth rate, the higher the fair value.

15. INVESTMENT PROPERTIES — Continued

Information about fair value measurements using significant unobservable inputs — Continued

Description	Fair value as at December 31, 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
(2) Investment properties under construction — fair values determined by Vincorn — Continued					
Chongqing International Commerce Centre — Continued					
Office	757,005	Residual approach	(i) Selling price, taking into account the differences in building age and frontage between the comparables and the property	RMB22,973 per square meter	The higher the selling price, the higher the fair value.
			(ii) Expected developer profit	30%	The higher the expected developer profit, the lower the fair value.
			(iii) Construction cost	RMB9,000 per square meter	The higher the cost, the lower the fair value.
			(iv) Discount rate	5%	The higher the discount rate, the lower the fair value.
			(v) Rate of finance cost	5%	The higher the rate of finance cost, the lower the fair value.
	50,729,171				

As at December 31, 2019, majority of the Group's investment properties with a carrying value of approximately RMB51,110,280,000 (2018: RMB45,421,140,000) were pledged to secure certain borrowing facilities granted to the Group.

All the Group's properties interests held under operating leases to earn rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

16. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2019 RMB'000	2018 RMB'000
Cost		
At the beginning of the year	**6,000,219**	5,585,706
Additions	**635,951**	414,872
Transfer to properties held for sale	**(393,885)**	(359)
At the end of the year	**6,242,285**	6,000,219
Properties under development for sale of which:		
— expected to be completed within twelve months	**3,380,748**	3,316,371
— expected to be completed after twelve months after the end of the reporting period	**2,861,537**	2,683,848
	6,242,285	6,000,219

As at December 31, 2019, certain of the Group's properties under development for sale with a carrying value of approximately RMB2,878,373,000 (2018: RMB2,413,980,000) were pledged to secure certain borrowing facilities granted to the Group.

17. PROPERTIES HELD FOR SALE

As at December 31, 2019, certain of the Group's properties held for sale with a carrying value of approximately RMB179,211,000 (2018: RMB181,337,000) were pledged to secure certain borrowing facilities granted to the Group.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Considerations in respect of completed properties sold are received from customers in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the agreement date.

Considerations in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

The Group recognised impairment loss based on the accounting policy stated in note 3 for financial instruments. Further details on the Group's credit policy and credit risk arising from other receivables, deposits and prepayments are set out in note 31.

	2019	2018
	RMB'000	RMB'000
Prepayment of business taxes and other PRC taxes	**39,523**	55,826
Other receivables, deposits and prepayments	**172,781**	130,295
	212,304	186,121

19. PLEDGED/RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

At December 31, 2019, bank deposits of approximately RMB24,400,000 (2018: RMB24,400,000) were pledged as securities against certain short term borrowings due within one year. These pledged bank deposits have accordingly been classified under current assets.

The pledged bank deposits carry effective interest rates which is at 1.50% (2018: 1.50%) per annum. The pledged bank deposits will be released upon the settlement of the relevant borrowings. Bank balances carry interest at market rates which range from 0.01% to 0.45% (2018: 0.01% to 0.35%) per annum.

At December 31, 2019, bank deposits of approximately RMB8,142,000 (2018: Nil) were restricted for the use of setting certain potential claims.

At December 31, 2019, pledged/restricted bank deposits and bank balances and cash with banks in the PRC amounted to approximately RMB45,374,000 (2018: RMB61,192,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

20. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Contract liabilities		
— expected to be realised within twelve months	**725,309**	865,363

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sales of properties

100% of payments are usually received in advance and recognised as a contract liabilities.

Movements in contract liabilities is as follows:

	2019 RMB'000	2018 RMB'000
Balance as at January 1	**865,363**	439,603
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(502,937)**	(11,818)
Increase in contract liabilities as a result of funds received in advance from sales of properties	**362,883**	437,578
Balance as at December 31	**725,309**	865,363

The contract liabilities mainly relate to the deposits received from customers for sales of properties. RMB502,937,000 (2018: RMB11,818,000) of the contract liabilities as of December 31, 2018 has been recognised as revenue for the year ended December 31, 2019 from acceptance of properties by customers.

As at December 31, 2019, contract liabilities or the aggregated amount of the deposits received from the remaining performance obligations under the Group's existing contracts was RMB725,309,000 (2018: RMB865,363,000). This amount represents revenue expected to be recognised in the future from acceptance of properties by customers. The Group will recognise the expected revenue in future, which is expected to occur in the next 5 to 12 months.

The Group has applied the practical expedient to its contracts with customers and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected during of one year or less.

21. AMOUNT DUE TO A SHAREHOLDER

Amount due to a shareholder, Mr. Wong, is non-trade in nature, unsecured, interest-free and repayable on demand while request for payment will only be made when the Company has excess cash to repay.

22. BORROWINGS

	2019	2018
	RMB'000	RMB'000
Bank borrowings, secured	**—**	16,027
Other borrowings, secured	**5,306,704**	4,890,396
	5,306,704	4,906,423

	2019	2018
	RMB'000	RMB'000
Carrying amounts of the borrowings repayable based on contractual term#:		
On demand or within one year	**5,306,704**	4,906,423
More than one year, but not exceeding two years	**—**	—
More than two years, but not exceeding five years	**—**	—
	5,306,704	4,906,423
Less: Amount due within one year shown under current liabilities	**(5,306,704)**	(4,906,423)
	—	—

The amounts due are based on scheduled repayment dates set out in the loan agreements.

22. BORROWINGS — Continued

The Group's borrowings are all denominated in RMB for the year ended December 31, 2019 and 2018.

Bank borrowings

	2019 **RMB'000**	2018 RMB'000
Carrying amounts of secured variable-rate bank borrowings repayable based on contractual term#:		
On demand or within one year	—	16,027

The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at December 31, 2019, the interest rates of the Group's variable-rate bank borrowings are based on base rate fixed by the People's Bank of China ("PBOC") plus a premium. Details are as follows:

	2019 **RMB'000**	2018 RMB'000
Carrying amounts repayable:		
Within one year	—	16,027

As at December 31, 2019, the ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2019	2018
Effective interest rate:		
Variable-rate bank borrowings	—	6.1%

22. BORROWINGS — Continued

Other borrowings

	2019	2018
	RMB'000	RMB'000
Carrying amount of the fixed-rate other borrowings repayable based on contractual term#:		
On demand or within one year	**5,306,704**	4,890,396
More than one year, but not exceeding two years	**—**	—
More than two years, but not exceeding five years	**—**	—
	5,306,704	4,890,396
Less: Amount due within one year or on demand shown under current liabilities	**(5,306,704)**	(4,890,396)
	—	—

The amounts due are based on scheduled repayment dates set out in the loan agreements.

The other borrowings are secured and have fixed interest rates ranging from 6.10% to 36.00% (2018: 6.10% to 36.00%) per annum. The weighted average rate is 10.45% (2018: 11.02%) per annum.

As at December 31, 2019, the Group has four (2018: four) significant secured fixed rate other borrowings from three lenders (2018: three lenders), which are denominated in RMB, carrying interests at fixed rates ranging from 7.20% to 13.90% (2018: 7.20% to 13.90%) per annum. At December 31, 2019 and 2018, the carrying amount of such other borrowings amount to RMB5,095,255,000 and RMB4,677,983,000 respectively.

As at December 31, 2019, included in the borrowings shown above are amounts totalling RMB5,095,255,000 which are past due and for which the lenders have demanded repayment as set out in note 28.

23. 15.0% FIXED-RATE SENIOR NOTES

On October 11, 2018, the Group issued approximately US$226 million principal amount of the fixed-rate senior notes which contain two components, liability and early redemption options.

The notes bear interest at a fixed-rate of 15.00% per annum. The interest charged for the year is calculated by applying an effective interest rate of approximately 15.21% per annum. Interest on the notes is payable on April 15 and October 15 of each year. The notes will mature on October 15, 2021. The notes are guaranteed by certain of the Company's subsidiaries and Mr. Wong Sai Chung, the managing director of the Company.

At any time and from time to time on or after April 15, 2020, the Group may redeem the 15.0% fixed rate senior notes, in whole or in part, at a redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the 15.0% fixed rate senior notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the 6-month period commencing on the periods indicated below:

6-month period commencing on	**Percentage**
April 15, 2020	107.500%
October 15, 2020	103.750%
April 15, 2021	101.875%

At any time prior to April 15, 2020, the Group may at its option redeem the 15.0% fixed rate senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 15.0% senior notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Up to December 31, 2019 and date of this report, the Group did not redeem any 15.0% fixed rate senior notes.

The Group shall, at the option of any holder of the 15.0% fixed rate senior notes, repurchase all of the 15.0% fixed rate senior notes held by such holder of the 15.0% fixed rate senior notes at any time on or after April 15, 2020 at 100% of the principal amount of such 15.0% fixed rate senior notes plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

The directors of the Company consider that the fair values of the redemption options at December 31, 2019 and 2018 are insignificant.

The carrying amounts of 15.0% fixed-rate senior notes is analysed as follows:

	2019 **RMB'000**	2018 RMB'000
Current portion	**1,606,390**	49,393
Non-current portion	**—**	1,526,929
	1,606,390	1,576,322

24. CONVERTIBLE NOTE AND CONVERSION OPTION DERIVATIVE

On January 27, 2012, the Company and Hillwealth, entered into a conditional subscription agreement pursuant to which the Company agreed to issue and the Hillweath, as subscriber agreed to subscribe for a convertible note of HK$500,000,000 in cash. The convertible note is interest bearing at a fixed rate of 5% per annum and matures on the fourth anniversary of the issue date. The conversion price of the convertible note was set at HK$2.42 per share.

On February 21, 2012, the Company and Hillweath entered into a supplemental agreement to extend the maturity date and the period for conversion of the convertible note to the sixth anniversary of the issue date. Both the Company and the Hillweath have no early redemption rights on the convertible note. The Company shall repay the principal amount outstanding under the convertible note to Hillweath together with all interest accrued on the sixth anniversary of the date of issue of the convertible note.

The issuance of the convertible note was approved at the extraordinary general meeting of the Company held on March 16, 2012. On March 19, 2012, the Listing Committee of the Stock Exchange conditionally granted the listing of and permission to deal with the conversion shares, subject to (i) approval by the independent shareholders of the issue of the convertible note under Rule 13.36 of the Listing Rules and (ii) fulfillment of all other conditions of the subscription agreement. In accordance with the subscription agreement, all of the conditions precedent were fulfilled on August 14, 2012 and the issue of the convertible note as agreed between the Company and Hillweath, was also taken to be on August 14, 2012 with settlement against funds previously advanced by Mr. Wong to the Company.

The convertible note is denominated in HK$ and contains two components, a debt component and conversion option derivative. The effective interest rate of the debt component is 18.838% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The movements of the different components of the convertible note for the year are set out as below:

	Debt component	**Conversion option derivative**	**Total**
	RMB'000	RMB'000	RMB'000
As at January 1, 2018	393,425	2,517	395,942
Interest charged (Note 7)	45,681	—	45,681
Gain arising on changes in fair value	—	(2,456)	(2,456)
Settlement of Convertible Note	(443,656)	—	(443,656)
Effect of foreign currency exchange differences recognised to profit or loss	4,550	(61)	4,489
As at December 31, 2018	—	—	—

25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value adjustment of investment properties RMB'000	Provision RMB'000	Other temporary differences RMB'000	Total RMB'000
At January 1, 2018	(10,781,889)	—	(59,128)	(10,841,017)
Charged to profit or loss (note 8)	(140,221)	—	—	(140,221)
At December 31, 2018	(10,922,110)	—	(59,128)	(10,981,238)
Charged to profit or loss (note 8)	(64,303)	153,530	—	89,227
At December 31, 2019	(10,986,413)	153,530	(59,128)	(10,892,011)

Other temporary differences mainly represent the temporary differences arising from the construction costs capitalised in investment properties under construction, properties under development for sale and properties held for sale which were deductible for tax purpose in the year those costs incurred.

Provisions represents the temporary difference arising from the provision of settlement fee and other relevant costs in respect of litigations.

The Group had no significant unprovided deferred tax during the years ended December 31, 2019 and 2018.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB789,508,000 (2018: RMB771,407,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

26. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At January 1, 2018, December 31, 2018 and December 31, 2019	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2018, December 31, 2018 and December 31, 2019	1,809,077,000	180,907
Presented in consolidated financial statements as:		
At January 1, 2018, December 31, 2018, January 1, 2019 and December 31, 2019		RMB170,073,000

None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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 statements of cash flows as cash flows from financing activities.

	15.0% fixed-rate senior notes	Amount due to a shareholder	Borrowings	Lease Liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2018	1,576,322	3,498,137	4,906,423	—	9,980,882
Recognition of lease liabilities upon adoption HKFRS 16 on January 1, 2019 (Note 2(i))	—	—	—	6,409	6,409
At January 1, 2019 (Restated)	1,576,322	3,498,137	4,906,423	6,409	9,987,291
New borrowings raised	—	—	233,525	—	233,525
Repayment of borrowings	—	—	(277,171)	—	(277,171)
Advance from a shareholder	—	399,439	—	—	399,439
Repayment of principal portion of lease liabilities	—	—	—	(3,627)	(3,627)
Interest paid	(236,815)	—	(74,950)	(1,068)	(312,833)
Financing costs recognised (Note 7)	242,728	—	518,877	1,068	762,673
Effect of foreign currency exchange difference recognised to profit or loss	24,155	—	—	46	24,201
At December 31, 2019	1,606,390	3,897,576	5,306,704	2,828	10,813,498

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS — Continued

(a) Reconciliation of liabilities arising from financing activities — Continued

	Convertible note	13.5% fixed-rate senior notes	15.0% fixed-rate senior notes	Amount due to a shareholder	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018	393,425	1,667,295	—	2,083,409	5,529,332	9,673,461
Financing cash flows (Note)	(443,656)	(1,185,197)	896,256	1,414,728	(1,021,596)	(339,465)
Financing costs recognised (Note 7)	45,681	183,720	49,289	—	582,408	861,098
Effect of foreign currency exchange difference recognised to profit or loss	4,550	25,156	(10,908)	—	—	18,798
Accrued interest not yet paid	—	—	(49,289)	—	(183,721)	(233,010)
Replacement of senior notes (Note 27(b))	—	(690,974)	690,974	—	—	—
At December 31, 2018	—	—	1,576,322	3,498,137	4,906,423	9,980,882

Note: The financing cash flows represented the new borrowings raised, advance from a shareholder, payment of lease liabilities, payment of finance costs and repayments to borrowings.

(b) Major non-cash transaction

There was no major non-cash transaction during the year ended December 31, 2019. During the year ended December 31, 2018, 13.5% fixed-rate senior notes amounting to RMB690,974,000 were settled by issuance of 15.0% fixed-rate senior notes to the same lenders.

28. CONTINGENT LIABILITIES

At the end of the reporting period, the contingent liabilities of the Group were as follows:

Guarantee

	2019	2018
	RMB'000	RMB'000
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Note)	**421,282**	473,086

Note: The guarantees were given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. In the opinion of the directors of the Company, the fair value of the financial guarantee contracts is not significant. Deposits received on sales of properties prior to the date of revenue recognition are classified as current liabilities in the consolidated statement of financial position.

Legal disputes

As at December 31, 2019, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sale and properties held for sale in an aggregate amount of approximately RMB13 million (2018: RMB41 million) and the withdrawal of bank deposits of approximately RMB1 million (2018: RMB5 million) as at December 31, 2019. In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that did not meet the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or is in the process of making counter claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group.

28. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

The management has sought advice from the independent legal advisors or internal legal counsel on these matters. As at December 31, 2019, the Group has provided construction cost liabilities amounting to RMB52 million (2018: RMB49 million) in relation to the above mentioned construction contracts under dispute.

Outstanding legal claims that are subjected to legal proceedings and/or appeal amounted to approximately RMB94 million (2018: RMB74 million) in aggregate. No further provision has been made in the consolidated financial statements in respect of these claims. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

Except for the matters disclosed elsewhere in the consolidated financial statements, the Group has the following litigations with some of its lenders:

1) On August 28, 2015, Shanghai Jingan-Concord Real Estate Co., Ltd. ("Shanghai Jingan") and Shanghai Minhang Concord Property Development Co., Ltd.) ("Shanghai Minhang"), each a wholly-owned subsidiary of the Company, as borrowers entered into an entrusted loan agreement with 平安大華匯通財富管理有限公司 ("PinganDahua") whereby an entrusted loan in the aggregate amount of RMB1.3 billion was granted (the "PinganDahua Entrusted Loan"), originally repayable by August 31, 2018 and extended verbally to October 15, 2018. Since then, the above parties have been in negotiations on new repayment arrangements.

   On November 17, 2017, Chongqing Riverside Real Estate Co., Ltd. ("Chongqing Riverside"), a wholly-owned subsidiary of the Company, as borrower entered into an entrusted loan agreement with 深圳市平安德成投資有限公司 ("PinganDecheng"), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted to Chongqing Riverside (the "PinganDecheng Entrusted Loan") repayable by February 2, 2020. The PinganDecheng Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. PinganDecheng without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People's Court on April 15, 2019 against Chongqing Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the PinganDecheng Entrusted Loan together with interest and legal costs incurred. Since then, the above parties have been in negotiations on new repayment arrangements.

28. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

1) — Continued

On January 26, 2016, Chongqing Riverside as borrower entered into an entrusted loan agreement with 深圳市思道科投資有限公司 ("SSI"), a fellow subsidiary of PinganDahua, whereby an entrusted loan in the aggregate amount of RMB500 million was granted (the "SSI Entrusted Loan") to Chongqing Riverside repayable by January 27, 2020. The SSI Entrusted Loan was secured by guarantee provided by each of Shanghai Jingan and Shanghai Minhang. Since the 4th quarter of 2018, the above parties have been in negotiations on new repayment arrangements. SSI without notice to Chongqing Riverside, obtained an enforcement order from Chongqing Fifth Intermediate People's Court on April 16, 2019 against Chongqing Riverside, Shanghai Jingan and Shanghai Minhang in respect of the principal amount of RMB500 million under the SSI Entrusted Loan together with interest and legal costs incurred. Since then, the above parties have been in negotiations on new repayment arrangements.

The Company is in the process of obtaining a new loan from an independent financial institution for the repayment of the PinganDahua Entrusted Loan, the PinganDecheng Entrusted Loan and the SSI Entrusted Loan and is of the view that the abovementioned is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

28. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

2) On November 9, 2016, Shanghai Jingan as borrower entered into an entrusted loan agreement (the "Lujiazui Entrusted Loan Agreement") with 陸家嘴國際信託有限公司 ("Lujiazui") whereby an entrusted loan in the total aggregate amount of RMB1.3 billion was granted. Three tranches of loan will be due on May 23, 2019, June 6, 2019 and June 15, 2019. Pursuant to the Lujiazui Entrusted Loan Agreement, Shanghai Jingan was required to pay a deposit of RMB124 million to Lujiazui by December 15, 2018, failing which Lujiazui can demand the immediate repayment of the total loan together with liquidated charges and interest. The full RMB124 million was not paid by due date and since December 4, 2018, Shanghai Jingan and Lujiazui have been in discussion to make a partial prepayment of the loan principal by utilising proceeds from sale of certain residential properties which have been charged to Lujiazui as security for the loan. Without notice to Shanghai Jingan, Lujiazui filed a civil claim claiming the amount of RMB1.24 billion against Shanghai Jingan with the High Court of Shanghai on December 20, 2018. Shanghai Jingan filed an appeal to the Supreme People's Court against the decision of the High Court of Shanghai on August 7, 2019. The appeal was dismissed by the Supreme People's Court on December 27, 2019, and Shanghai Jingan was ordered to repay RMB1.24 billion to Lujiazui together with interest and legal costs incurred (the "Lujiazui Entrusted Loan"). Since then, the above parties have been in negotiations on repayment arrangements. The Company is in the process of obtaining a new loan from an independent financial institution for the repayment of the Lujiazui Entrusted Loan.

   The Company is of the view that the abovementioned incident is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

28. CONTINGENT LIABILITIES — Continued

Legal disputes — Continued

3) On September 27, 2017, Shanghai Jingan as a borrower entered into an entrusted loan agreement (the "JIC Trust Entrusted Loan Agreement") with 中建投信託股份有限公司 ("JIC Trust") whereby an entrusted loan in the aggregate amount of RMB1.2 billion (the "JIC Trust Entrusted Loan") was granted in twelve tranches. The loan tenure for each tranch is 24 months and will be due from October 13, 2019 to December 29, 2019 (the "Loan Term"). Pursuant to the JIC Trust Entrusted Loan Agreement, the lender has the right to demand immediate repayment of the loan if the lender has doubt over the borrower's financial ability to repay the loan. On February 14, 2019, Shanghai Jingan received a notice from JIC Trust informing that the JIC Trust Entrusted Loan Agreement would be terminated on February 18, 2019 and the loan would be due on the same day. As the Loan Term has not yet expired, Shanghai Jingan did not repay the loan as demanded. On February 22, 2019, JIC Trust filed a civil claim against Shanghai Jingan and the Company declaring the termination of the JIC Trust Entrusted Loan Agreement and the loan due. The amount of claim is RMB1,452.35 million. Since then, the above parties have reached settlement whereby Shanghai Jingan will repay the principal amount of RMB1.2 billion under the JIC Trust Entrusted Loan together with interest and legal costs incurred.

   The Company is in the process of obtaining a new loan from an independent financial institution for the repayment of the JIC Trust Entrusted Loan and is of the view that the abovementioned incident is unlikely to have any material adverse impact on the performance and financial condition of the Group. The Company will take appropriate measures to resolve the above situation.

In respect of each of the above litigations, the parties have arrived at a consensus in principle to the payment of certain fees or interest and the Group has provided settlement fee and other relevant costs in the aggregate amount of RMB614,120,000 for the year ended December 31, 2019 under administrative expenses. Mr. Wong Sai Chung, a substantial shareholder of the Company, will, to the extent where necessary, support the Company in respect of the above litigations.

29. OTHER COMMITMENTS

	2019	2018
	RMB'000	RMB'000
Construction commitment contracted but not provided for	**1,489,248**	2,195,366

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the amount due to a shareholder, borrowings and 15.0% fixed-rate senior notes disclosed in notes 21, 22, and 23 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings. The directors of the Company monitor current and expected liquidity requirement as well as the summary compliance report on loan covenants regularly.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payments of dividends, new shares issues, shares buy-backs and issue of new debts or redemption of existing debts and refinancing arrangement (note 1).

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 **RMB'000**	2018 RMB'000
Financial assets		
Amortised cost (including cash and cash equivalents)	**95,670**	152,655
Financial liabilities		
Amortised cost	**11,858,208**	10,469,868

Financial risk management objectives and policies

The Group's financial instruments include other receivables, pledged bank deposits, bank balances and cash, construction costs accruals, other payables and accruals, amount due to a shareholder, borrowings and 15.0% fixed-rate senior notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

31. FINANCIAL INSTRUMENTS — Continued

Market risk

Foreign currency risk

The Group's transactions are mainly denominated in RMB (which is the functional currency of respective group entities), except for certain pledged bank deposits, bank balances, borrowings and fixed-rate senior notes which are denominated in HK$ and US$ as disclosed below. The Group has not used any forward contract to hedge its exposure to currency risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. A significant depreciation/appreciation in the RMB against US$ and HK$ may have a material impact on the Group's results.

As at the end of the reporting period, certain financial assets and financial liabilities of the Group were denominated in HK$ and US$ which are currencies other than the functional currency of the relevant group entities. The carrying amounts of those foreign currency monetary items are set out below:

	HK$		US$	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank balances and cash	**5,807**	329	**42**	43
15.0% fixed-rate senior notes	**—**	—	**1,606,390**	1,576,322

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and US$ and the sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at the year end for a 5% (2018: 5%) change in foreign currency rates. 5% (2018: 5%) is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates an increase in post-tax profit for the year where RMB strengthens 5% against US$ and HK$ for the current year. For a 5% weakening of RMB against US$ and HK$, there would be an equal but opposite impact on the post-tax profit for the year.

	HK$ impact		US$ impact	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit/(loss) for the year	**(290)**	(16)	**80,317**	78,814

31. FINANCIAL INSTRUMENTS — Continued

Market risk — Continued

Interest rate risk

As at December 31, 2019, the Group is not exposed to cash flow interest rate risk. As at December 31, 2018, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 22 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate fixed by PBOC arising from the Group's bank borrowings. The Group currently does not have any interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at December 31, 2019 and 2018, the Group's fair value interest rate risk relates primarily to its fixed-rate bank deposits, fixed-rate other borrowings (see note 22 for details) and fixed-rate senior notes (see note 23 for details). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. In addition, the management monitors the interest rate movement for long term borrowings and will consider to exercise the redemption option of the fixed-rate senior notes if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings as at December 31, 2018. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 1% increase or decrease is used in management's assessment of the reasonably possible change in interest rates.

If interest rates relating to the variable-rate borrowings of the Group increase or decrease by 1%, finance costs would increase or decrease by approximately RMB160,000. Since most of the Group's finance costs had been capitalised in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales, there would not be significant effect on the Group's post-tax profit for the year.

31. FINANCIAL INSTRUMENTS — Continued

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The management closely monitors the utilisation of bank and other borrowings and ensure compliance with loan covenants.

Having considered the factors and circumstances set out in note 1 to the consolidated financial statements, the directors are satisfied that the Group will have sufficient liquidity to meet its cash flows requirements for the next twelve months from the end of the reporting period.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity table

	Weighted average interest rate	On demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2019							
Construction costs accruals	N/A	293,485	—	—	—	293,485	293,485
Other payables and accruals	N/A	754,053	—	—	—	754,053	754,053
Amount due to a shareholder	N/A	3,897,576	—	—	—	3,897,576	3,897,576
Borrowings — fixed-rate	10.45%	5,314,152	—	—	—	5,314,152	5,306,704
15.0% fixed-rate senior notes	15.0%	1,646,702	—	—	—	1,646,702	1,606,390
Lease liabilities	16.62%	3,039	286	—	—	3,325	2,828
Financial guarantee contracts	N/A	421,282	—	—	—	421,282	—
		12,330,289	286	—	—	12,330,575	11,861,036

31. FINANCIAL INSTRUMENTS — Continued

Liquidity risk — Continued

Liquidity table — Continued

	Weighted average interest rate	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at December 31, 2018							
Construction costs accruals	N/A	295,734	—	—	—	295,734	295,734
Other payables and accruals	N/A	193,252	—	—	—	193,252	193,252
Amount due to a shareholder	N/A	3,498,137	—	—	—	3,498,137	3,498,137
Borrowings — fixed-rate	11.02%	5,180,018	—	—	—	5,180,018	4,906,423
15.0% fixed-rate senior notes	15.00%	271,765	224,123	1,727,041	—	2,222,929	1,576,322
Financial guarantee contracts	N/A	473,086	—	—	—	473,086	—
		9,911,992	224,123	1,727,041	—	11,863,156	10,469,868

For properties that are still under construction, the Group typically provides financial guarantees to banks in connection with its customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. Such guarantees will expire upon the completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

31. FINANCIAL INSTRUMENTS — Continued

Credit risk

As at December 31, 2019 and 2018, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 28.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

For the financial guarantees provided to banks in connection with customers' borrowing of mortgage, if a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstance, the Group is able to retain the customer's deposit and sell the property to recover any amount paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Fair value of financial assets and liabilities that are not measured on a recurring basis

Except for the fixed-rate senior notes, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. At December 31, 2019, the carrying amount of the fixed-rate senior notes was RMB1,606,390,000 (2018: RMB1,576,322,000) and the fair values of fixed-rate senior notes (categorised within Level 2 hierarchy) of approximately RMB1,705,854,000 (2018: RMB1,561,227,000) have been determined using discounted cash flows at an approximate debt yield which being the sum of base interest rate representing the US riskfree rate of 0.88% (2018: 1.67%), and the spread of 13.22% (2018: 12.39%) derived from the Hull-White One-Factor Model. The fair values of other financial assets and financial liabilities (categorised within Level 3 hierarchy) have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

32. LEASES

HKFRS 16 was adopted on January 1, 2019 without restatement of comparative figures as detailed in note 2. The accounting policies applied subsequent to the date of initial application, January 1, 2019, are disclosed in note 3.

Nature of leasing activities (in the capacity as lessee)

The Group leases certain properties in the jurisdictions from which it operates. All of the property leases' periodic rents are fixed over the lease term.

Future lease payments as at December 31, 2019 and as at January 1, 2019 are due as follows:

	Minimum lease payments December 31, 2019 RMB'000	Interest December 31, 2019 RMB'000	Present value December 31, 2019 RMB'000
Not later than one year	3,039	(462)	2,577
Later than one year and not later than two years	286	(35)	251
	3,325	(497)	2,828

	Minimum lease payments January 1, 2019 (Note) RMB'000	Interest January 1, 2019 (Note) RMB'000	Present value January 1, 2019 (Note) RMB'000
Not later than one year	4,681	(1,065)	3,616
Later than one year and not later than two years	2,997	(455)	2,542
Later than two years and not later than five years	286	(35)	251
	7,964	(1,555)	6,409

Note: The Group has applied HKFRS 16 using the simplified transition approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance at the date of initial application. See note 2(i) for further details about transition.

32. LEASES — Continued

Nature of leasing activities (in the capacity as lessee) — Continued

The present value of future lease payments are analysed as:

	December 31, 2019 RMB'000	January 1, 2019 RMB'000
Current liabilities	**2,577**	3,616
Non-current liabilities	**251**	2,793
	2,828	6,409

Measurements of amounts recognised in the consolidated statement of financial position and profit or loss during the year ended December 31, 2019:

	Leasehold land (Note) RMB'000	**Properties leased for own use (Note)** RMB'000	**Lease liabilities** RMB'000
Amount recognised upon adoption of HKFRS 16 on January 1, 2019 (Note 2(i))	121,933	6,409	6,409
Depreciation	(4,488)	(3,776)	—
Interest expense	—	—	1,068
Payments of lease liabilities (Note 27(a))	—	—	(4,695)
Exchange adjustments	—	45	46
As at December 31, 2019	117,445	2,678	2,828

Note:

Right-of-use assets represented land and buildings leased for own use carried at depreciated costs is included in the line item as property, plant and equipment.

Right-of-use assets relating to operating leases and prepaid lease payments in respect of the land use right in PRC is currently recognised as right-of-use assets upon application of HKFRS 16 and is included in the same line items as property, plant and equipment.

Right-of-use assets related to interests in leasehold land where the interest in the land is held as properties under development and completed properties held for sale are included in the same item as properties under development for sale and properties held for sale as that within the corresponding assets.

32. LEASES — Continued

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2019 **RMB'000**
Within one year	**620**
After one year but within two years	**651**
After two years but within three years	**683**
After three years but within four years	**718**
After four years but within five years	**753**
Over five years	**551**
	3,976

	2018 RMB'000
Within one year	615
In the second to fifth year inclusive	2,666
After the fifth year	1,339
	4,620

Leased properties have committed tenants from ten (December 31, 2018: ten) years.

32. LEASES — Continued

As lessee

Minimum lease payments paid under operating leases during the year ended December 31, 2018:

	2018 RMB'000
Premises	4,376

At December 31, 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	4,547
In the second to fifth year inclusive	3,174
	7,721

The Group is the lessee in respect of certain of its office premises which were previously classified as operating lease under HKAS 17 (Note 2(i)).

33. RETIREMENT BENEFITS PLANS

The Group participates in a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made by both the Group and the employees based on 5% of the employees' salaries (capped at HK$25,000 per month as effective from June 1, 2012 and capped at HK$30,000 per month as effective from June 1, 2014) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group's PRC subsidiaries contribute funds to the scheme to fund the retirement benefits of the employees which are calculated on a certain percentage of the average employee salary as agreed by local municipal government. The obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total contributions incurred in this connection for the year was approximately RMB5,123,000 (2018: RMB6,248,000).

34. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed on February 5, 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme expired on February 5, 2017 and all options which were granted under that Scheme had also lapsed. On June 29, 2017, the Company by ordinary resolution approved the adoption of a new share option scheme ("New Scheme").

Under the New Scheme, the board of directors of the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme is not permitted to exceed 180,907,700 shares, being 10% of the shares of the Company in issue as at the date on which the shares of the Company are listed on the Stock Exchange, which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

34. SHARE OPTION SCHEME — Continued

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

An option may be exercised at any time during the period to be determined and notified by the directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and ten years from the date of offer of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share; the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

No options have yet been granted under such New Scheme during the year ended December 31, 2019 and 2018 and up to the date of this report.

35. RELATED PARTY TRANSACTIONS

Apart from the related party transaction as disclosed elsewhere in the financial statements, the Group had the following transactions during both years:

Nature of transactions

	2019	2018
	RMB'000	RMB'000
Office premises expenses (Note)	**27**	27

Note: On July 22, 2014, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between the landlord, a subsidiary of Pacific Concord Holding Limited ("PCH") of which ultimate shareholder is Mr. Wong, and the Group. The Tenancy Agreement is effective from August 1, 2014 to July 31, 2017 and a new agreement is entered which is effective from August 1, 2017 to July 31, 2020.

On the same date, a sharing agreement was entered into between a subsidiary of PCH and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

35. RELATED PARTY TRANSACTIONS — Continued

Compensation of key management personnel

The directors of the Company considered that the directors are the key management of the Group. The remuneration of key management personnel of the Group during both years was as follows:

	2019	2018
	RMB'000	RMB'000
Short-term benefits	**1,247**	1,255

The remuneration of directors is determined by the remuneration committee with reference to the involvement and the business performance of the directors of the Company.

36. LIST OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at December 31, 2019 and 2018 are as follows:

Name of subsidiaries	Country of establishment	Equity interest attributable to the Group as at December 31, 2019	2018	Issued and fully paid registered and paid-up capital as at December 31, 2019 and 2018	Principal activities
上海靜安協和房地產有限公司 Shanghai Jingan — Concord Real Estate Co., Ltd.[#]	PRC	**100%**	100%	US$68,000,000	Property development and investment
上海閔行協和房地產經營有限公司 Shanghai Minhang Concord Property Development Co., Ltd.[#]	PRC	**100%**	100%	US$99,600,000	Property development and investment
上海盈多利物業管理有限公司 Shanghai Yingduoli Property Management Co., Ltd.[##]	PRC	**100%**	100%	RMB500,000	Property management service
重慶茵威房地產有限公司 Chongqing Ace Blossom Real Estate Co., Ltd.[#]	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶半山一號房地產有限公司 Chongqing Mid-Levels No. 1 Real Estate Co., Ltd.[#]	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶山頂一號房地產有限公司 Chongqing Peak No. 1 Real Estate Co., Ltd.[#]	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶江灣房地產有限公司 Chongqing Riverside Real Estate Co., Ltd.[#]	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶兩江房地產有限公司 Chongqing Yangtze-Jialing River Real Estate Co., Ltd.[#]	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶正天投資有限公司 Chongqing Zhengtian Investment Ltd.[##]	PRC	**100%**	100%	RMB51,000,000	Property development and investment

36. LIST OF PRINCIPAL SUBSIDIARIES OF THE COMPANY — Continued

Details of the Company's principal subsidiaries as at December 31, 2019 and 2018 are as follows: — Continued

Wholly foreign owned enterprises registered in the PRC.

A limited liability company registered in the PRC.

The English names stated above are for identification purpose only.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, 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.

None of the subsidiaries had issued any debt securities at the end of the both years.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019	2018
	RMB'000	RMB'000
Non-current assets		
Plant and equipment	**94**	123
Investments in subsidiaries	**7,787,858**	7,711,300
	7,787,952	7,711,423
Current assets		
Other receivables, deposits and prepayments	**1,143**	1,123
Current liabilities		
Other payables and accruals	**6,241**	7,303
Amounts due to subsidiaries	**2,328,085**	2,235,316
	2,334,326	2,242,619
Net current liabilities	**(2,333,183)**	(2,241,496)
Total assets less current liabilities	**5,454,769**	5,469,927
Net assets	**5,454,769**	5,469,927
Capital and reserves		
Share capital	**170,073**	170,073
Share premium and reserves (Note)	**5,284,696**	5,299,854
Total equity	**5,454,769**	5,469,927

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY — Continued

Note:

Movement of reserves

	Attributable to owners of the Company		
	Share premium RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At January 1, 2018	7,967,070	(2,385,773)	5,581,297
Loss and other comprehensive income for the year	—	(281,443)	(281,443)
At December 31, 2018	7,967,070	(2,667,216)	5,299,854
Loss and other comprehensive income for the year	—	(15,158)	(15,158)
At December 31, 2019	7,967,070	(2,682,374)	5,284,696

38. EVENTS AFTER THE REPORTING PERIOD

The outbreak of novel Coronavirus ("COVID-19") since January 2020 has affected many business and economic activities in the PRC and it continues to spread to countries across the world. The Group has made every effort to introduce a safe working environment for its workforce and introduced preventive measures to reduce the spread of COVID-19 in the working environment. The Group will continue to impose appropriate measures to minimize the adverse impact on the business operation of the Group and will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position, operating results and cash flows of the Group.

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Revenue	71,704	206,217	215,414	96,079	**589,300**
Profit/(loss) before tax	1,679,191	1,047,083	382,218	501,386	**(326,599)**
Income tax credit/(expense)	(434,230)	(307,499)	(97,546)	(141,412)	**43,614**
Profit/(loss) for the year attributable to owners of the Company	1,244,961	739,584	284,672	359,974	**(282,985)**
Earnings/(loss) per share					
Basic	RMB0.69	RMB0.41	RMB0.16	RMB0.20	**(RMB0.16)**
Diluted	RMB0.61	RMB0.36	RMB0.11	RMB0.18	**(RMB0.16)**

ASSETS AND LIABILITIES

	As at December 31,				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Total assets	55,841,235	58,479,322	59,211,064	60,572,352	**61,605,020**
Total liabilities	(19,675,900)	(21,574,403)	(22,021,473)	(23,022,787)	**(24,338,440)**
	36,165,335	36,904,919	37,189,591	37,549,565	**37,266,580**
Equity attributable to owners of the Company	36,165,335	36,904,919	37,189,591	37,549,565	**37,266,580**

PARTICULARS OF MAJOR PROPERTIES

At December 31, 2019

Properties held by the Group as at December 31, 2019 are as follows:

Location	**Type** (Notes)	**Gross floor area** (Square meters)	**Effective % held**	**Stage of completion**	**Anticipated completion**
Portion of Phases 1,2, 3, 4A and 4B of Shanghai Cannes No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	91,456	100	Completed	N/A
Commercial Street and Service Apartment located at No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	293,815	100	Under planning	2021–2024
Portion of Phase 1 of Shanghai Concord City (Commercial Street, Hotel, Office Premise and Service Apartment) located at West of Nanjing Road Jing'an District Shanghai The PRC	R & C	45,068	100	Completed	N/A
The whole of Phase 2 of Shanghai Concord City (Commercial Street, Hotel, Office Premise and Service Apartment) located at West of Nanjing Road Jing'an District Shanghai The PRC	R & C	338,074	100	Construction in progress	2020–2024
Huashan Building West Nanjing Road Jing'an District Shanghai The PRC	C	7,340	100	Renovation in progress	2021–2022

PARTICULARS OF MAJOR PROPERTIES

At December 31, 2019

Location	Type (Notes)	Gross floor area (Square meters)	Effective % held	Stage of completion	Anticipated completion
Chongqing International Commerce Centre located at Nan Bin Road Chongqing The PRC	R & C	2,050,000	100	Construction in progress	2021–2024
Portion of Commercial Street Manhattan Luxury Residence and Beverly Hills located at Lijiu Road Chongqing The PRC	R & C	178,709	100	Construction in progress	2012–2020
Chongqing Manhattan City Villa Zone located at Lijiu Road Chongqing The PRC	R	232,463	100	Construction in progress	2012–2021
Chongqing Manhattan City European Type House Zone located at Lijiu Road Chongqing The PRC	R	415,440	100	Construction in progress	2019–2022
Chongqing Concord City located at Jiefangbei Chongqing The PRC	R & C	408,927	100	Construction in progress	2021–2025
Golden Tower located at Lijiu Road Chongqing The PRC	R & C	571,992	100	Construction in progress	2021–2023

Notes:

Types of properties: R-Residential, C-Commercial

N/A: Not applicable