# Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 115)

# Grow from Strength to Strength

## ANNUAL REPORT 2019

# Contents

# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa Charmaine
Ms. Kwok Siu Wa Alison

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong
Mr. Wong Sze Lok

## COMPANY SECRETARY

Ms. Lam Yuen Ling Eva

## AUDIT COMMITTEE

Mr. Wong Sze Lok *(Chairman)*
Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong

## REMUNERATION COMMITTEE

Mr. Hui Pui Wai Kimber *(Chairman)*
Mr. Liu Chaodong
Mr. Ma Xuemian
Mr. Wong Sze Lok

## NOMINATION COMMITTEE

Mr. Liu Chaodong *(Chairman)*
Mr. Ma Xuemian
Mr. Wong Sze Lok

## CORPORATE GOVERNANCE COMMITTEE

Mr. Ma Xuemian *(Chairman)*
Mr. Liu Chaodong
Mr. Wong Sze Lok

## AUTHORISED REPRESENTATIVES

Ms. Chow Kwai Wa Charmaine
Ms. Kwok Siu Wa Alison

## REGISTERED OFFICE IN BERMUDA

Conyers Corporate Services (Bermuda) Limited
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1004B, 10/F,
Tower 5, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

## LEGAL ADVISER ON BERMUDA LAW

Conyers Dill & Pearman
2901 One Exchange Square,
8 Connaught Place,
Hong Kong

## LEGAL ADVISER ON HONG KONG LAW

Simon Ho & Co. Solicitors
Room 1502, 15th Floor,
Hong Kong Trade Centre,
161-167 Des Voeux Road Central,
Hong Kong

## AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701, 7/F., Citicorp Centre,
18 Whitfield Road,
Causeway Bay, Hong Kong

## PROPERTY VALUER

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED
Unit B, 7/F, Chang Pao Ching Building,
No. 427-429, Hennessy Road,
Wan Chai, Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Conyers Corporate Services (Bermuda) Limited
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## PRINCIPAL BANKER

The Bank of East Asia, Limited

## WEBSITE

http://www.gfghl.com

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Grand Field Group Holdings Limited (the "Company"), I am pleased to present the annual report of the Company (the "Annual Report") on the activities for the year ended 31 December 2019.

2019 was a prosperous year of the Company and its subsidiaries (collectively referred to as the "Group"). The developing project in Shenzhen has commenced for pre-sale. At this stage, the sale of the residential units is successful. The said project will be inspected and completed in the middle of 2020. Save that the parts of the commercial and shopping mall of both Shenzhen and Xuzhou projects have been placed to rent and further planning and the feed-back of the market towards these projects is very positive.

Apart from the development and investment in landed properties, the Group has been intensively seeking other commercial opportunities planning to acquire the projects which can be of assistance of the increase of cash flows of the Group in order to promote diversified business development of the Group.

In general, 2019 was a successful year for the Group and I would like to thank our shareholders and customers for their continuous support, as well as the Board of Directors and all our dedicated staff members for their continued loyalty, diligence, professionalism and contributions to the Group.

**Ma Xuemian**
*Chairman*

Hong Kong, 24 April 2020

# Management Discussion and Analysis

## FINANCIAL RESULTS

For the year ended 31 December 2019 (the "Year"), the revenue of the Group decreased from last year of approximately HK$68,019,000 to approximately HK$3,542,000. The revenue for the Year was attributed to property rental income.

During the Year, the Group recorded a loss of approximately HK$167,824,000 (2018: profit of approximately HK$352,722,000). The downturn was mainly due to fair value loss recorded on investment properties of Shenzhen Buji Zongke YunDuan project and Xuzhou project. Due to the aforesaid reason, the Group recorded a loss attributable to owners of the Company for the Year of approximately HK$101,219,000 (2018: profit of approximately HK$193,255,000).

## BUSINESS REVIEW AND PROSPECT

In the 2nd half year of 2019, the Group achieved brilliant results. The Shenzhen Mix Park project, after having received the pre-sale permit, has been put for sale in the beginning of 2019. As at the year-end of 2019, nearly 80% of the residential units of the said project have been sold out. Apart from that, the commercial units of the said project have been put for rent and the Group has signed letters of intent with a number of intended tenants of famous brands. The whole project is now in the stage of being inspected and we expect that the certificate of completion will be issued in the mid-2020 and the commercial units will commence for business after then.

The Group plans to concentrate on the completion of the renting and operating the Shenzhen and Xuzhou projects in 2020. In the meantime, we will start to develop the remaining land resource owned by the Group and to actively seek, develop and acquire new projects as well as to optimize the existing assets and maximize the rental income.

Although there are many uncertain elements in the international capital markets, the financial leverage and the debt assets ratio of the Group are very low. Therefore, the peripheral factors will not have any material impact on the operations of the Group. Moreover, the Group estimates the Shenzhen and Xuzhou projects will bring in the Group stable and long-term cash-flows.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's cash and cash equivalents were approximately HK$164,134,000 (31 December 2018: approximately HK$127,652,000) of which most were denominated in Hong Kong Dollar ("HK$") and Renminbi ("RMB").

As at 31 December 2019, the Group had total current assets of approximately HK$1,090,696,000 (31 December 2018: approximately HK$801,131,000), and total current liabilities of approximately HK$1,821,535,000 (31 December 2018: approximately HK$812,938,000). The Group recorded total assets of approximately HK$4,582,216,000 (31 December 2018: approximately HK$4,161,138,000). As at 31 December 2019, the Group's total interest-bearing borrowings amounted to approximately HK$655,727,000 (31 December 2018: approximately HK$1,011,906,000), of which approximately HK$599,852,000 was repayable within 1 year (31 December 2018: approximately HK$506,894,000).

As at 31 December 2019, interest-bearing borrowings of the Group amounted to approximately HK$655,727,000 (31 December 2018: approximately HK$899,586,000) are denominated in RMB and such borrowings carried interest at fixed rates of 1.5% per month and 10% to 25% per annum (2018: 1.5% per month and 10% to 25% per annum).

As at 31 December 2019, there are no borrowings denominated in HK$ (31 December 2018: HK$112,320,000) upon the completion of issue of new convertible bonds on 22 February 2019. As at 31 December 2018, such borrowings denominated in HK$ was carried interest at a fixed rate of 3% per annum.

The gearing ratio as at 31 December 2019, which was defined to be total interest-bearing borrowings over shareholders' equity, was approximately 58% (31 December 2018: approximately 82%).

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's major operations are located in the People's Republic of China (the "PRC") and the main operational currencies are HK$ and RMB. There has been no significant change in the Group's policy in terms of exchange rate exposure. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK$. Moderate fluctuation of RMB against HK$ was expected. The Group considered the foreign currency risk exposure is acceptable. However, management of the Group will monitor foreign exchange exposure closely and consider the use of hedging instruments when necessary.

As at 31 December 2019, the Group has no material liability denominated in other foreign currencies other than RMB. There was also no hedging transaction contracted for by the Group during the Year.

# Management Discussion and Analysis

## CAPITAL STRUCTURE

As at 31 December 2019, the Company's issued share capital is HK$244,955,413 and the total number of its issued ordinary shares is 2,449,554,132 shares of HK$0.10 each in issue.

References are made to the announcements of the Company dated 27 February 2017, 24 March 2017 and 28 April 2017 and the circular of the Company dated 30 March 2017 in relation to the issue of the original convertible bonds to Ms. Tsang Tsz Nok Aleen, being one of the vendors to the acquisition, in the principal amount of HK$137,000,000 due on 28 October 2018, for partial settlement of the consideration of the acquisition. As at 28 October 2018, the original convertible bonds was expired and leaving the balance of HK$112,320,000, representing the outstanding principal amount of the original convertible bonds.

On 16 November 2018 (after trading hours of the Stock Exchange), the Company entered into the subscription agreement with the Mr. Tsang Wai Lun Wayland and Ms. Tsang Tsz Nok Aleen (collectively, the "Subscribers"), pursuant to which, the Subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to issue the new convertible bonds in the principal amount of HK$112,320,000. The subscription amount payable by the Subscribers under the subscription agreement shall be satisfied by discharging the payment obligation of the Company on the indebted amount.

The new convertible bonds carry the right to convert into the conversion shares at the conversion price of HK$0.123 per conversion share (subject to adjustments). Assuming the conversion rights are exercised in full at the conversion price, 913,170,731 new ordinary shares will be allotted and issued to Ms. Tsang Tsz Nok Aleen. Upon full exercise of the conversion rights attaching to the new convertible bonds, the shareholdings of Ms. Tsang Tsz Nok Aleen, the substantial shareholder of the Company, will be changed from approximately 28.92% to 48.22% of the total number of issued shares of the Company as enlarged by the issue of the shares of the Company upon the conversion of all the new convertible bonds.

All the conditions precedent to the subscription agreement have been fulfilled and completion took place on 22 February 2019. Accordingly, the new convertible bonds in the principal amount of HK$112,320,000 were issued in accordance with the terms and conditions of the subscription agreement.

Details of the movements in share capital of the Company are set out in note 37 to the consolidated financial statement.

## CAPITAL COMMITMENTS

The Group had the following material commitments as at 31 December 2019 and 31 December 2018:

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Contracted but not provided for: | | |
| Investment properties under development | **360,071** | 373,111 |

## CHARGE ON GROUP ASSETS

As at 31 December 2019, certain completed investment properties located in Xuzhou with fair value of approximately HK$231,443,000, which were owned by a wholly-owned subsidiary, were pledged to secure for the interest-bearing bank loans with principal amount of RMB87,000,000 (2018: Nil) which equivalent to approximately HK$97,222,500 (2018: Nil).

As at 31 December 2019, the land situated in Shenzhen owned by Shenzhen Zongke Real Estate Co., Ltd ("Shenzhen Zongke") has been pledged for a bank loan with principal amount of RMB450,000,000 (31 December 2018: RMB650,000,000), which equivalent to approximately HK$502,875,000 (31 December 2018: HK$737,454,000).

As at 31 December 2018, the Group has pledged certain properties held for sale with the carrying amounts of approximately HK$4,426,000 of its wholly-owned subsidiary for certain interest-bearing borrowings with principal amount of approximately RMB4,020,000 (equivalent to approximately HK$4,824,000) from an independent third party.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT AND FUTURE PLANS FOR MATERIAL INVESTMENTS

On 26 February 2019, the Zhejiang Beishen Cultural and Travel Development Company Limited*（浙江北深文旅發展有限公司）(the "Project Company") was established under the laws of the PRC with limited liability for the land acquisition and the construction and development of picture and culture related projects and peripheral commercial facilities on the land through the Project Company. As at 12 September 2019, the Project Company is owned by the JV partners as to (i) 34% by Grandfield Real Estate Development (Shenzhen) Limited*（鈞濠房地產開發（深圳）有限公司）("Shenzhen Grandfield"), an indirect wholly-owned subsidiary of the Company; (ii) 34% by Beiying Movie Industry Development (Ningbo) Limited*（北影電影產業園開發（寧波）有限公司）("Beiying Movie"); (iii) 26% by Shenzhen Bo Rui De Trading Limited*（深圳市博鋭德商貿有限公司）; and (iv) 6% by Hangzhou Fubei Investment Management Limited*（杭州富北投資管理有限公司）(the "JV Partners").

* *For identification purpose only*

# Management Discussion and Analysis

On 7 March 2019, one of the JV Partners namely Beiying Movie, won the bidding in respect of the land use rights of the land situated at Hangzhou City, the PRC at the consideration of RMB56,870,000. The confirmation letter was issued by the Hangzhou Planning and Natural Resources Bureau to Beiying Movie to record the winning of the bidding by Beiying Movie on 7 March 2019. On 14 March 2019, Beiying Movie and the Hangzhou Planning and Natural Resources Bureau entered into the land use rights grant contract. On 25 April 2019, Beiying Movie, the Project Company and the Hangzhou Planning and Natural Resources Bureau further entered into the supplemental land use rights grant contract in respect of the land acquisition pursuant to which all parties to the supplemental land use rights grant contract mutually agreed that the purchaser of the land shall be assigned to the Project Company under the same terms and conditions of the land use rights grant contract and that all rights and obligations under the land use rights grant contract shall be transferred to the Project Company effective on the date of the supplemental land use rights grant contract.

When deciding to participate in the land acquisition and the development of the land, the Company had considered the reasonable potential return and investment payback period based on the intended development plan negotiated among the JV Partners that a sizeable proportion of the land would be developed into properties for sale. However, when finalizing the overall development plan of the land, majority of the JV Partners (excluding Shenzhen Grandfield) considered adjusting the development plan of the land to largely reduce the saleable portion of the properties while increasing the proportion of investment properties for leasing purposes. Despite several negotiations, Shenzhen Grandfield was unable to reach a mutual agreement with the other JV Partners on the development plan of the land. The Company considered that fund collection period for leasing properties is relatively slow and investment payback period would be much longer when compared with properties for sale and therefore, the Company commenced negotiations with the other JV Partners on any possible exit plan for Shenzhen Grandfield's investment in the Project Company. The JV Partners mutually agreed, on best effort basis, to procure any interested party to take up the Company's 34% equity interest in the Project Company when opportunity arises.

As at the date of this Annual Report, the Company has not identified any potential purchaser and has not entered into any negotiation, arrangement and/or agreement in relation to any potential disposal of the Company's 34% equity interests in the Project Company. The Company will update the shareholders and potential investor of the Company in relation to the development of the intended disposal or if there will be any further change in business strategies on the Company's investment in the Project Company by way of announcement in compliance with relevant requirements under the Listing Rules as and when appropriate.

For details of the transaction, please refer to the Company's announcement dated 12 September 2019.

Save as otherwise disclosed, the Company did not have any other material acquisitions, disposal and significant investment of subsidiaries and affiliated companies during the Year.

In 2020, the Company will continue to make intensive efforts to expand its existing business and explore other business opportunities and try to seek opportunities actively to promote diversified business development. The Company will be continuing its effort in mergers and acquisitions deals as a way to expand into new markets and gain additional revenue streams apart from the real estate development. Bearing any further unforeseen material adverse external developments, the Company will continue to adhere to these principles in 2020 and is cautiously optimistic about the Group's further prospects.

## TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained an appropriate liquidity position throughout the year of 2019. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial condition of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

## CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in note 42 to the consolidated financial statements.

## SEGMENT INFORMATION

The details of the segment information of the Group are set out in note 15 to the consolidated financial statements.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed 86 employees (31 December 2018: 77) and had 7 Directors (31 December 2018: 8). The total staff costs (including Directors' remuneration) for the Year amounted to approximately HK$9,855,000 (2018: approximately HK$8,958,000). No equity-settled share option arrangement was included in staff cost for the Year (2018: Nil). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from basic salary and statutory provident fund scheme, employees will also be offered bonus based on the results of the Group and their individual performance.

# Profile of Directors

## Executive Directors

**Mr. Ma Xuemian ("Mr. Ma")**, aged 55, was elected as an executive Director and the chairman (the "Chairman") of the Company on 2 December 2008 and 19 October 2009 respectively. Mr. Ma is also a member of the remuneration committee of the Company (the "Remuneration Committee"), a member of the nomination committee of the Company (the "Nomination Committee") and the chairman of corporate governance committee of the Company (the "Corporate Governance Committee"). Mr. Ma has joined the Group since 1999 and has been responsible for the Group's property sales and management in PRC since then. Mr. Ma has more than 20 years of management experiences in property management and marketing. From 1988 to 1992, Mr. Ma worked as a supervisor of the construction team in The Guangzhou Construction Company Limited, a subsidiary of the 3rd Guangdong Water and Electricity Bureau. He joined Ka Fong Industrial Company, Limited in 1992, which later became a subsidiary of the Company. Since then, Mr. Ma has served management role in various capacities including applying for government approval for development plan and construction plan, on-site project management, construction completion inspection. From July 1995 to 1996, Mr. Ma served in various management capacities including property completion and delivery management. From 1997 to 2000, he was in charge for managing the title deed application and property management in various projects in China. Since 2001, Mr. Ma is the general manager of the Group's operation in Dongguan, the PRC. Mr. Ma is also a director, legal representative, general manager and chairman of several subsidiaries of the Company. The letter of appointment of Mr. Ma, the Chairman and executive Director, entered into a term of three years commencing on 1 April 2019. Mr. Ma is entitled to a Director's fee of HK$60,000 per month as at the date of this Annual Report.

# Profile of Directors

**Mr. Kwok Siu Bun ("Mr. Kwok")**, aged 44, was appointed as a non-executive Director on 5 February 2010 and re-designated as an executive Director on 15 August 2011. Mr. Kwok graduated from Leonard Stern School of Business of New York University with a double major in Finance and Information Systems. Mr. Kwok had previously worked for Deutsche Bank (New York) where Mr. Kwok was a senior systems analyst of the Private Banking Department. In 2003, Mr. Kwok was the project manager of Visionsky Informance Science and Technology Limited, a subsidiary of Bank of China (Guangzhou). Mr. Kwok successfully implemented several data warehouse projects for the Credit Card Centre of Bank of China (Hong Kong). Mr. Kwok had also worked in Crushpad Winery in San Francisco. Recently, Mr. Kwok has established Tao of Wines, a wine company dedicated to introducing a wide range of wines to the Hong Kong food and beverages market. Mr. Kwok has more than 10 years of professional experience in various industries including banking, information technology and wine business. Mr. Kwok was also appointed as a director and legal representative of several subsidiaries of the Company. Mr. Kwok's scope of work includes: developing business and proactively looking for investment projects and focusing on potential projects with stable efficiency and liaising with the project parties on investment cooperation at different aspects; managing investment and researching work, including setting up investment strategy and establishing investment procedures; establishing investment research team and organizing and writing investment strategy report; building good business relationship and financing channel with banks, non-banking financial institutions, securities institutions and investment funds. Mr. Kwok holds the qualifications of the Professional Diploma in the Corporate Governance and Directors by the Hong Kong Institute of Directors.

Mr. Kwok is the uncle of Mr. Tsang Yee, the general manager of the Company, and Ms. Tsang Tsz Nok Aleen. Each of Mr. Tsang Yee and Ms. Tsang Tsz Nok Aleen holds 50% shareholding in Rhenfield Development Corp., the substantial shareholder of the Company. Mr. Kwok is also the brother of Ms. Kwok Siu Wa Alison, an executive Director. The letter of appointment of Mr. Kwok, the executive Director, entered into a term of three years commencing on 1 April 2019. Mr. Kwok is entitled to a Director's fee of HK$41,800 per month as at the date of this Annual Report.

# Profile of Directors

**Ms. Chow Kwai Wa Charmaine (Former Name: Chow Kwai Wa Anne) ("Ms. Chow")**, aged 54, holds a bachelor's degree in Business Administration from Shepherd University, USA. Ms. Chow was the operations manager of Air Global Holdings Limited and the business director of AGE International Limited, the subsidiary of Air Global Holdings Limited. Previously, Ms. Chow set up a branch office for Amkey Inc., USA in Singapore and served as the operations manager of the Singapore branch. Ms. Chow had also worked as the administrative cum sales director for a number of Chinese property projects and was the assistant to several senior executives of Star TV, a subsidiary of News Corporation. Ms. Chow has extensive experience in business management, sales strategic planning and overseas marketing. Ms. Chow joined the Group in November 2009 and was appointed as an executive Director in February 2010. Ms. Chow was the general manager of the sales and administration department of the Group, and is currently responsible for the operation management of the Company. Ms. Chow is also the director, legal representative and chairman of several subsidiaries of the Company. The letter of appointment of Ms. Chow, the executive Director, entered into a term of three years commencing on 1 April 2019. Ms. Chow is entitled to a Director's fee of HK$41,800 per month as at the date of this Annual Report.

**Ms. Kwok Siu Wa Alison ("Ms. Kwok")**, aged 45, was appointed as an executive Director of the Company on 5 February 2010. Ms. Kwok holds a bachelor's degree in International Business Management from Oxford Brookes University and a master's degree in Professional Accounting from Hong Kong Polytechnic University. Ms. Kwok joined the Group in 2000 and is responsible for financial management of the Group. Ms. Kwok has more than 10 years of experience in accounting and administrative management. Ms. Kwok was the vice president (business development) and the vice president (finance) of the Group. Ms. Kwok is also a director of several subsidiaries and associates of the Company.

Ms. Kwok is the aunt of Mr. Tsang Yee, the general manager of the Company, and Ms. Tsang Tsz Nok Aleen. Each of Mr. Tsang Yee and Ms. Tsang Tsz Nok Aleen holds 50% shareholding in Rhenfield Development Corp., the substantial shareholder of the Company. Ms. Kwok is also the sister of Mr. Kwok Siu Bun, an executive Director. The letter of appointment of Ms. Kwok, the executive Director, entered into a term of three years commencing on 1 April 2019. Ms. Kwok is entitled to a Director's fee of HK$41,800 per month as at the date of this Annual Report.

# Profile of Directors

## Independent Non-executive Directors

**Mr. Hui Pui Wai Kimber ("Mr. Hui")**, aged 49, was appointed as an independent non-executive Director on 15 April 2014, and is also a member of the audit committee of the Company (the "Audit Committee") and the chairman of the Remuneration Committee. Mr. Hui holds a Bachelor of Arts Degree majoring in Economics and Political Science from The University of New South Wales in Australia. Mr. Hui has over 20 years' experience in the marketing industry. Mr. Hui was the independent non-executive Director from 1999 to 2008. The letter of appointment of Mr. Hui, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2020. Mr. Hui is entitled to a Director's fee of HK$10,000 per month as at the date of this Annual Report.

**Mr. Liu Chaodong ("Mr. Liu")**, aged 51, was appointed as an independent non-executive Director on 25 August 2009, and is also a member of the Audit Committee, Remuneration Committee and Corporate Governance Committee and the chairman of the Nomination Committee. Mr. Liu has practising qualifications of registered accountant, registered tax agent, forensic accounting practitioners and certified public valuer in the PRC. In 1990, Mr. Liu graduated from Anhui Jianghuai Vocational University, the PRC, majoring in financial accounting. In 2006, Mr. Liu graduated from Huazhong University of Science and Technology, the PRC, majoring in legal studies. Mr. Liu served as the chief accountant in Blue Star New Chemical Materials Co., Ltd. from 1991 to 1994 and a department manager in Zhonglei Certified Public Accountants Co., Ltd. from 1994 to 1997 Mr. Liu is currently the deputy general manager of Foshan Branch of Ruihua Certified Public Accountants (LLP). Mr. Liu has been appointed as an independent non-executive director of Wuzhou International Holdings Limited (stock code: 1369), the shares of which are listed on the Main Board of the Stock Exchange and the trading in the shares of which on the Stock Exchange has been suspended since 3 September 2018. The letter of appointment of Mr. Liu, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2020. Mr. Liu is entitled to a Director's fee of HK$10,000 per month as at the date of this Annual Report.

# Profile of Directors

**Mr. Wong Sze Lok ("Mr Wong")**, aged 47, was appointed as an independent non-executive Director on 12 July 2018, and is also a member of the Remuneration Committee, Nomination Committee and Corporate Governance Committee and the chairman of the Audit Committee. Mr. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in England & Wales and a Certified Information Systems Auditor. Mr. Wong obtained a bachelor of arts in accountancy from Hong Kong Polytechnic University in 1996 and a master of management from Macquarie University in 2004. Mr. Wong was appointed as the chief financial officer of Century Entertainment International Holdings Limited (stock code: 959, formerly known as Amax International Holdings Limited) from 2012 to 2019, the shares of which are listed on the Main Board of the Stock Exchange. Prior to working for Century Entertainment International Holdings Limited (formerly known as Amax International Holdings Limited), Mr. Wong had held senior positions at an international professional accounting firm and several listed companies and accumulated extensive professional experience in auditing and corporate governance. The letter of appointment of Mr. Wong, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2020. Mr. Wong is entitled to a Director's fee of HK$10,000 per month as at the date of this Annual Report.

## Senior Management

**Mr. Tsang Yee ("Mr. Tsang")**, aged 28, was appointed as the general manager of the Company on 1 October 2018. Mr. Tsang holds a Bachelor of Chemistry from University of California, Los Angeles and a Master's degree in Real Estate from The University of Hong Kong, a member of the Royal Institution of Chartered Surveyors (MRICS). Mr. Tsang joined the Group in 2015 and is responsible for real estate development, land administration application, real estate investment, public relation and investor relation of the Group. Prior joining the Group, Mr. Tsang worked in Sun Hung Kai Properties and CBRE. In addition, Mr. Tsang founded 708090 co-working space in Shenzhen and received numerous awards from the local government, with the great contributions to Shenzhen. Mr. Tsang is rewarded as the Remarkable Young Entrepreneur of the Year in Shenzhen in 2018.

# Corporate Governance Report

## CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "CG Code") (the "Listing Rules") during the Year except for the following deviations:

### Code Provision A.2.1

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

During the Year, the role of the Chairman is performed by Mr. Ma Xuemian but the office of the chief executive is vacated. However, the Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

### Code Provision E.1.2

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

Mr. Ma Xuemian (the chairman of the Board) could not attend the annual general meeting of the Company held on 10 June 2019 (the "2019 AGM") due to other business engagement but he had appointed Mr. Kwok Siu Bun, an executive Director, as his representatives to chair the 2019 AGM and answer questions from the Shareholders. In the future, the Company will try its best to encourage all the Directors to attend the general meetings of the Company.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the Year.

# Corporate Governance Report

## BOARD OF DIRECTORS

As at the date of this Annual Report, the Board comprises a total of seven Directors, of whom four are executive Directors and three are independent non-executive Directors, and at least one of the independent non-executive Directors has appropriate professional qualifications to comply with Rules 3.10(1) and (2) of the Listing Rules. The Board believes that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for approving and monitoring the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management.

The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board is also required to approve acquisitions or disposals that require shareholder notification or approval under the Listing Rules. The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders of the Company (the "Shareholders").

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board's approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

Save as disclosed in the section of "Profile of Directors", there is no financial, business, family or other material/relevant relationship among the members of the Board.

During the Year, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

# Corporate Governance Report

During the Year, 4 Board meetings and 2 general meetings were held. The attendance records of each Director at such meetings are set out below:

| Directors | Attendance/ Number of General Meetings entitled to attend | Attendance/ Number of Board Meetings entitled to attend |
|---|---|---|
| **Executive Directors:** | | |
| Mr. Ma Xuemian *(Chairman)* | 1/2 | 4/4 |
| Mr. Kwok Siu Bun | 2/2 | 4/4 |
| Ms. Chow Kwai Wa Charmaine | 2/2 | 4/4 |
| Ms. Kwok Siu Wa Alison | 2/2 | 4/4 |
| **Non-executive Director:** | | |
| Ms. Tsang Tsz Tung Debbie (resigned on 12 April 2019) | 0/1 | 1/1 |
| **Independent non-executive Directors:** | | |
| Mr. Hui Pui Wai Kimber | 2/2 | 4/4 |
| Mr. Liu Chaodong | 0/2 | 4/4 |
| Mr. Wong Sze Lok | 1/2 | 4/4 |

Minutes of the meetings of Board/committee would be maintained, and draft minutes would be circulated to the Board/committee members for comments before being approved by the chairman of the meetings. Minutes of the Board meetings are kept by the company secretary of the Company and shall be open for inspection by Directors. Minutes of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee are kept by the secretary of these four committees. Where Directors have a material or conflict of interests in any transaction the matter would not be dealt with by way of written resolutions and a Board meeting would be held. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

# Corporate Governance Report

## CONTINUING PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the Year, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

| **Directors** | **Topics on training covered** *(Note)* |
|---|---|
| **Executive Directors:** | |
| Mr. Ma Xuemian *(Chairman)* | a |
| Mr. Kwok Siu Bun | a |
| Ms. Chow Kwai Wa Charmaine | a,b |
| Ms. Kwok Siu Wa Alison | a,b |
| **Non-executive Director:** | |
| Ms. Tsang Tsz Tung Debbie (resigned on 12 April 2019) | N/A |
| **Independent non-executive Directors:** | |
| Mr. Hui Pui Wai Kimber | a |
| Mr. Liu Chaodong | a |
| Mr. Wong Sze Lok | a |

Note:

(a) corporate governance

(b) regulatory

(c) finance

## CHAIRMAN AND THE CHIEF EXECUTIVE

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual.

During the Year, the role of the Chairman was performed by Mr. Ma Xuemian but the office of the CEO was vacated upon the resignation of Mr. Chen Mudong as the CEO on 15 April 2011. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Each of independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Wong Sze Lok, have entered into an appointment letter with the Company for a term from 1 April 2020 to 31 March 2021.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. The Company complied the code provision A.2.7 of the CG Code that the Chairman met the independent non-executive Directors without the present of the other Directors.

## REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 26 September 2005 with the latest written terms of reference adopted on 28 March 2012 in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Remuneration Committee is available on the Stock Exchange's and the Company's websites.

# Corporate Governance Report

As at 31 December 2019, the Remuneration Committee comprised one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Hui Pui Wai Kimber (chairman of the Remuneration Committee), Mr. Liu Chaodong and Mr. Wong Sze Lok.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; reviewing the specific remuneration packages of all Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his/her associates is involved in deciding his/her own remuneration.

The roles and functions of the Remuneration Committee include to make recommendation to the Board on the remuneration packages of individual executive Directors, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.

The Remuneration Committee held one meeting during the Year to review the remuneration of the Directors and senior management. The attendance record of the Remuneration Committee meeting is as follows:

| **Members** | **Attendance** |
|---|---|
| **REMUNERATION COMMITTEE** | |
| Mr. Hui Pui Wai Kimber *(Chairman)* | 1/1 |
| Mr. Liu Chaodong | 1/1 |
| Mr. Ma Xuemian | 1/1 |
| Mr. Wong Sze Lok | 1/1 |

## SENIOR MANAGEMENT'S REMUNERATION

Senior management's remuneration payment of the Group for the Year falls within the following band:

| | **Number of individual(s)** |
|---|---|
| Nil to HK$1,000,000 | 1 |

## AUDIT COMMITTE

The Audit Committee was established on 4 August 1999 with written terms of reference with the requirement stipulated in the CG Code. The latest terms of reference of the Audit Committee were updated on 1 January 2019 and are available on the Stock Exchange's and the Company's websites.

As at 31 December 2019, the Audit Committee comprised three independent non-executive Directors, namely Mr. Wong Sze Lok (chairman of the Audit Committee), Mr. Hui Pui Wai Kimber and Mr. Liu Chaodong.

Its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, the internal audit function, internal control and risk management systems of the Group with particular regard to their effectiveness; to make recommendations to the Board where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors.

The Audit Committee held two meetings during the Year to consider the audited consolidated financial statements for the year ended 31 December 2018 and the unaudited consolidated financial statements for the six months ended 30 June 2019, to review with the management of the Company, the accounting principles and practices adopted by the Group, to review the effectiveness of the internal audit function, internal control and risk management systems of the Company. The attendance records of the Audit Committee meetings are as follow:

| **Members** | **Attendance** |
|---|---|
| **AUDIT COMMITTEE** | |
| Mr. Wong Sze Lok *(Chairman)* | 2/2 |
| Mr. Hui Pui Wai Kimber | 2/2 |
| Mr. Liu Chaodong | 2/2 |

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the audited consolidated financial statements for the Year, with external auditor. There were no disagreements from the auditor of the Company or the Audit Committee in respect of the accounting policies adopted by the Company.

# Corporate Governance Report

## NOMINATION OF DIRECTORS

In accordance with the bye-laws of the Company (the "Bye-laws"), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Apart from that, nomination of Directors is determined by the Board with approvals by the Shareholders in general meeting. In addition, a resolution was passed by the then sole Shareholder on 20 May 1999, which resolved to set the maximum number of Directors at 15.

Notwithstanding the above, in the High Court judgment (the "Judgment") handed down on 12 August 2009, paragraph 39 states that Bye-law 113 of the Bye-laws empowers the Company in general meeting to increase the number of Directors beyond the 1999 maximum simply by voting on specified candidates as additional Directors. Paragraph 41 of the Judgment further states that in contrast the Board's ability to vote on additional Directors is explicitly limited by any prevailing maximum which the Company in general meeting has expressly or impliedly determined.

## DIRECTOR'S NOMINATION POLICY

The director's nomination policy of the Company was adopted by the Board and became effective on 1 January 2019 and the Nomination Committee is responsible for execution.

### Director Nomination Process

The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and headhunters. The Nomination Committee may also put forward director candidates who are not nominated by Board members. In addition, the Nomination Committee will consider director candidates properly submitted by Shareholders through formal procedures set out in the Company's Procedures for Shareholders to Propose a Person for Election as a Director.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing director candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the director's qualifications. While director candidates will be evaluated on the same criteria, the Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, and experiences of the collective Board rather than on the individual candidate.

The Board shall have the final decision on all matters relating to the recommendation of director candidates by the Nomination Committee to stand for election at any general meeting. The Board will take such recommendations under advisement and is responsible for designating the director candidates to be elected at the annual general meeting of the Company and electing directors to fill Board vacancies.

### Procedure for Appointment of New Director

Director candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the director candidate, evaluate such director candidate based on the criteria as set out below to determine whether such director candidate is qualified for directorship.

If the process yields one or more desirable director candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each director candidate (where applicable).

For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such director candidate based on the criteria as set out below to determine whether such director candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to Shareholders in respect of the proposed election of Director at the general meeting (where applicable).

A director candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

# Corporate Governance Report

### Procedure for Re-appointment of Director at General Meeting

The Nomination Committee shall review the overall contribution and service to the Company of the retiring Directors including their attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

The Nomination Committee shall also review and determine whether the retiring Directors continue to meet the criteria as set out below.

The Nomination Committee and/or the Board shall then make recommendation to the Shareholders in respect of the proposed re-election of Directors at the general meeting.

### Director Selection Criteria

The Nomination Committee considers the following qualifications are at a minimum to be required of a director candidate in recommending to the Board potential new Director, or the continued service of existing Director:

(a) the highest personal and professional ethics and integrity;

(b) proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;

(c) qualifications including professional qualifications, skills, knowledge and experience that are complementary to those of the existing Board;

(d) the ability to assist and support management and make significant contributions to the Company's success;

(e) the contribution on diversity of the Board and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

(f) an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities; and

(g) meet the "independence" criteria as required under the Listing Rules and the composition of the Board is in conformity with the provisions of the Listing Rules from time to time (where applicable).

Other than the foregoing, there are no stated minimum criteria for director candidate, although the Nomination Committee may also consider such other factors as it may deem to be in the best interests of the Company and the Shareholders.

## NOMINATION COMMITTEE

The Nomination Committee was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Nomination Committee was revised on 1 September 2013 and is available on the Stock Exchange's and the Company's websites.

As at 31 December 2019, the Nomination Committee comprised one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Mr. Liu Chaodong (chairman of the Nomination Committee) and Mr. Wong Sze Lok.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including without limitation, gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and making recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the board diversity policy of the Company (the "Board Diversity Policy"). The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. The Company should comply with the requirements on board composition in the Listing Rules from time to time.

2. The number of independent non-executive Directors should be not less than three and one-third of the Board.

3. At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

4. At least one Director should be the professional or have intensive experience of the industry on which the business of the Group is.

The Board has achieved the measurable objectives under Board Diversity Policy for the Year.

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 ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

The Nomination Committee held one meeting during the Year to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and assess the Board Diversity Policy. The attendance record of the Nomination Committee meeting is as follows:

| **Members** | **Attendance** |
|---|---|
| **NOMINATION COMMITTEE** | |
| Mr. Liu Chaodong *(Chairman)* | 1/1 |
| Mr. Ma Xuemian | 1/1 |
| Mr. Wong Sze Lok | 1/1 |

## CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established on 28 March 2012 with the latest written terms of reference adopted on 28 March 2012 in compliance with the requirement stipulated in the CG Code.

As at 31 December 2019, the Corporate Governance Committee comprised one executive Director, namely Mr. Ma Xuemian (chairman of the Corporate Governance Committee) and two independent non-executive Directors, namely Mr. Liu Chaodong and Mr. Wong Sze Lok.

The principal responsibilities of the Corporate Governance Committee include developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management; reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and reviewing the Group's compliance with the CG Code and disclosure in the corporate governance report of the Company.

The Corporate Governance Committee held one meeting during the Year to review policies and practices of the Group relating to the CG Code. The attendance record of the Corporate Governance Committee meeting is as follows:

| **Members** | **Attendance** |
|---|---|
| **CORPORATE GOVERNANCE COMMITTEE** | |
| Mr. Ma Xuemian *(Chairman)* | 1/1 |
| Mr. Liu Chaodong | 1/1 |
| Mr. Wong Sze Lok | 1/1 |

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the interests of the Company and the Shareholders as a whole. However, the Group's risk management and internal control systems were formulated to manage instead of eliminating all the risk exposure of the Group, it can only provide reasonable, but not absolute, assurance against material misstatements or losses.

The Group established an Enterprise Risk Management (the "ERM") framework to implement effective risk management. The ERM framework mainly comprises of two parts: (1) risk management structure and (2) risk management process.

### Risk Management Structure

#### *Board of Directors*

The Board plays an important role in the Group's risk management and internal control systems. The Board is responsible for establishing the ERM framework and risk management policies, which aims at assessing and evaluating the Group's business strategies and defining risk tolerance. The Board, with assistance from the Audit Committee, continuously monitors and reviews the effectiveness of the risk management and internal control systems at least once a year.

# Corporate Governance Report

### *Audit Committee*

The Audit Committee stands at the highest level of the risk management and internal control systems below the Board, responsible for providing suggestion and support in respect of all risk matters to the Board, including monitoring the implementation of the risk management processes, reviewing the Group's risk register, reviewing and approving the internal control review plans and results.

### *Corporate Governance Committee*

The Corporate Governance Committee assists Audit Committee in discharge of its oversight responsibility over the risk management and internal control systems of the Group. It is accountable to the Audit Committee on all the matters relating to risk management and internal control. Its duties include developing risk management and internal control policies for Audit Committee's review; assisting Audit Committee to review the effectiveness of the Group's risk management and internal control systems regularly; reporting to the Audit Committee the identified risks; evaluating risks and internal control measure to mitigate the risks; reporting to the Audit Committee the significant internal control deficiencies; and providing guidance to the management in setting risk management and internal control objectives and formulating internal control policies and procedures.

### *Management*

The management of the Group (the "Management") is responsible for identifying and continuously monitoring the strategy, operation and finance, reporting and compliance risks in daily operation, and reporting the risks and their changes to the Board and the Audit Committee. The Management also formulates various internal control measures to mitigate the risks and rectify internal control deficiencies they identified in a timely manner.

The Group has in place policies and guidelines which are zealously implemented by the management of the Group so as to ensure that the Group has the ability to:

(i) carry on its business in an orderly and efficient manner;

(ii) safeguard the Group's and the clients' assets;

(iii) maintain proper records and the reliability of financial and other information used within and published by the Group;

(iv) prevent and detect potential fraud; and

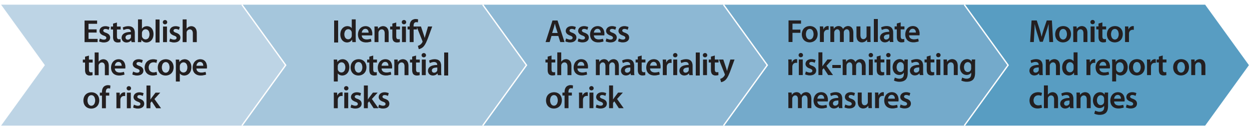
(v) comply with all applicable laws and regulatory requirements.

*Third-party Professional Internal Control Advisor*

To ensure the independence of internal control review, the Group has outsourced the internal audit function to an independent internal control advisor (the "Internal Control Advisor"). The scope of work includes reviewing the Group's risk management procedures and the effectiveness of the Group's internal control system. The Internal Control Advisor formulates the internal control review plan based on risk assessment and approval from the Audit Committee, and will report the review result to the Audit Committee directly.

**Risk Management Process**

The ERM framework defines the Group's procedures of identifying, assessing, responding and monitoring the risk and their changes. The Group regularly discuss with each operating functions in order to promote risk management to each department, such that all staff could understand and report risks timely, thus strengthening the Group's capability of risk management.




In the course of risk identification, the management liaises with each operating function to collect significant risk factors, which are material to the Group in various aspects such as strategy, operation and finance, reporting and compliance in a bottom up approach. After identifying all relevant risks for the basis of risk assessment, the management determines the materiality of risk based on its potential impact and possibility, formulates internal control measures for each material risk, and continuously monitors and reports on changes of the risk.

**Main Features of the Risk Management and Internal Control Systems**

*Maintaining an effective internal control system (management level)*

- Clear internal control policies and procedures are in place, with definite the responsibility, authority and accountability for each department and function;

- Code of conduct for employees has been established to convey to the employees the Group's requirement on integrity and ethic;

- A whistle-blowing system is available to encourage employees to report suspected events of misconduct or fraud;

- Appropriate access to the information system has been assigned to avoid leaking price-sensitive information; and

- Establish insider information disclosure policy, including reporting channel and responsible person of disclosure, unified response to external enquiries and obtain advice from professional financial advisors or the Stock Exchange, if necessary.

During the Year, the Board reviewed the effectiveness of its internal control policies and processes, including those for financial reporting and in compliance with the requirements of the Listing Rules. During the evaluation of the effectiveness of risk management and internal control systems, the Board considered the adequacy of resources, staff qualifications and experience, training programmes for employees and relevant budget of its accounting, internal audit and financial reporting functions.

### *Ongoing monitor of risks (risk management level)*

Based on the ERM framework and risk management policies set up by the Board, the management liaises with each operating function to collect significant risk factors which is material to the Group in a bottom-up approach and continues to monitor the change in risks. The Group has put in place a risk register to record identified risks and evaluates the potential impact and possibility of each major risk on the Group to set up relevant internal control measures.

During the current financial year, the management has conducted evaluation on the risk management structure and processes and reported on risk assessment results to the Board and the Audit Committee. It enabled the Board and the Audit Committee to monitor the major risks of the Group effectively and understand how the management respond to and mitigate those risks.

### *Independent review*

The Group has appointed the Internal Control Advisor to conduct an internal control review[1] for the Year, the scope has covered the period from 1 January 2019 to 31 December 2019. An internal control review report has been provided to Audit Committee.

The Management has established remediation and improvement plan for internal control weakness identified. The Internal Control Advisor has also reported the outcome of the internal control review to the Audit Committee. Nothing has come to the Audit Committee's or the Board's attention to believe that the risk management and internal control systems of the Group are inadequate or ineffective.

1. The internal control review performed by the Internal Control Adviser does not constitute an assurance engagement made in accordance with Hong Kong Standards or Auditing Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants.

## ACCOUNTABILITY AND AUDIT

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the Year, the Directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis. The Directors, having made appropriate enquiries, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK$101,219,000 for the Year and as at 31 December 2019 the Group had net current liabilities of approximately HK$730,839,000. Nevertheless, these consolidated financial statements have been prepared on a going concern basis. The Directors are of the opinion that taking into account of the expected sales of properties and financing arrangement after the reporting period it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Board is accountable to the Shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

All Directors acknowledge their responsibility for preparing the financial statements for the Year.

## EXTERNAL AUDITOR

The consolidated financial statements of the Group for the Year were audited by ZHONGHUI ANDA CPA Limited ("ZHONGHUI").

The auditor's responsibility is to form an independent opinion based on their audit results on the Company's consolidated financial statements and to report their opinion to the Company, as a body, and for no other purposes. The auditor of the Company does not assume responsibilities towards or accept liability to any other person for the contents of the report of auditor.

The auditor's remuneration for the provision of annual audit services of HK$590,000 was charged to the Group's consolidated income statement for the Year (2018: HK$500,000), and the auditor's remuneration for the provision of non-audit services of HK$130,000 was charged to the Group's consolidated income statement for the Year (2018: HK$140,000).

## INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to the Shareholders and investors for the performance of the Company. Enquiries and suggestions from the Shareholders or investors are welcomed, and enquiries from the Shareholders may be put to the Board through the following channels to the Company:

1. By mail to the Company's principal place of business at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong;

2. By telephone at telephone number (852) 2380 1330;

3. By fax at fax number (852) 2380 1996; or

4. By email at info@gfghl.com.

The Company uses a number of formal communication channels to account to the Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for the Shareholders to raise comments and exchange views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders and investors; and (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed and on a regular basis information of the Group to the Shareholders through the publication of interim and annual reports and/or dispatching circular, notices, and other announcements.

The Company strives to take into consideration the Shareholders' views and inputs, and address the Shareholders' concerns. The Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The Chairman as well as chairmen of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, or in their absence, the Directors are available to answer the Shareholders' questions on the Group's businesses at the annual general meeting.

All Shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by the Shareholders. According to Bye-Law 65 of the Bye-laws and the Companies Act 1981 of Bermuda, the Directors, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

# Corporate Governance Report

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgment of the Notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting. In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, the Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

The Board has established a shareholder communication policy on 28 March 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (http://www.gfghl.com) which includes the latest information relating to the Group and its businesses.

## DIVIDEA POLICY

The dividend policy of the Company (the "Dividend Policy") was adopted by the Board and became effective on 1 January 2019.

The Dividend Policy is to ensure that the Board maintains an appropriate procedure on declaring and recommending the dividend payment of the Company. The Board endeavors to strike a balance between the Shareholders' interests and prudent capital management with a sustainable dividend policy.

The declaration and recommendation of dividends is subject to the decision of the Board after considering the Company's ability to pay dividends, which will depend upon, among other things:

- the Group's financial results;
- the Group's cashflow, liquidity and capital requirements;
- the Group's debt to equity ratios and the debt level;
- the retained earnings and distributable reserves of the Group;
- the Group's shareholders' interests;
- the Group's current and future business operations, conditions, cycle and strategies;
- the general market conditions;
- the Shareholders' and the investors' expectation and industry's norm;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- statutory and regulatory restrictions;
- past dividend record; and
- any other factors the Board may deem relevant.

The Board has complete discretion on whether to pay a dividend and the form to pay, subject to any restrictions under the Companies Act of Bermuda and the Bye-laws. Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends. There is no assurance that dividends will be paid in any particular amount for any given period.

The Company shall review and reassess the Dividend Policy and its effectiveness from time to time. Any revisions to the Dividend Policy shall be considered and approved by the Board.

# Corporate Governance Report

## COMPANY SECRETARY

The company secretary of the Company, Ms. Lam Yuen Ling Eva, is delegated by an external service provider. The external service provider's primary contact person at the Company is Ms. Chow Kwai Wa Charmaine, the executive Director.

On behalf of the Board

**Ma Xuemian**
*Chairman*

Hong Kong, 24 April 2020

# Directors' Report

The Directors submit herewith this Annual Report together with the audited consolidated financial statements of the Group for the Year.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 24 to the consolidated financial statements. There have been no significant changes in the nature of the Group's principal activities during the Year.

The analysis of the principal activities and geographical locations of the operations of the Group during the Year are set out in note 24 to the consolidated financial statements.

## BUSINESS REVIEW AND PROSPECT

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the Management Discussion and Analysis on pages 4 to 9 of this Annual Report.

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Group and their changes are set out below:

| Risk | Description | Internal control measures | Change |
|---|---|---|---|
| Delay in project Progress | Failure by the Group to complete any project on schedule may incur extra costs to us and may delay the collection of receivables. It may increase the funding pressure, finance cost and uncertainties in funding of the Group. | – Adequate communication with contractors to keep abreast of the progress of relevant projects to identify and address any potential issues as soon as possible.<br>– Regular site visits by engineers of the Group to update themselves on the progress of the projects. | Decreasing |
| Funding | Failure by the Group to obtain required funding on reasonable terms or at all may have adverse effect on the progress or profitability of our projects. | – Payment methods with greater flexibility being agreed with suppliers/contractors.<br>– Add and to diversify our sources of financing to minimize our cost of funding | Decreasing |

# Directors' Report

| Risk | Description | Internal control measures | Change |
|---|---|---|---|
| Subcontracting | The Group relies on third party contractors for the provision of quality services. Failure by contractors to proceed projects to their completion on time and on budget may incur extra cost to the Group. | – Conduct strict assessment and follow due tender procedures in selecting contractors.<br>– Our project manager and legal staff would review the terms of a subcontracting agreement to ensure the duty and responsibility of each party therein are clearly defined and stated.<br>– Evaluate and update performance by contractors on regular basis to ensure their service standards meets the Group's requirements. | No change |
| Natural disasters | Mishandling by the Group in any emergency situations triggered by natural disasters (e.g. fire, electric shock, traffic accident etc.) or epidemic outbreaks may lead to substantial/numerous claims and liabilities against the Group and damage to our reputation, in addition to human casualties and direct losses on assets. | – Put in place various contingency plans and strategies and with designated persons-incharge to deal with specific risks, and conduct of regular disaster drills.<br>– Periodic checks on equipment for emergency and regular inspections would be conducted so that any source of severe hazards could be identified as early as possible<br>– Maintain third party liability insurance to diversify our risk exposure and review the scope and amount insured regularly. | Increasing |
| Occupational health and Safety | Failure by the Group to put in place appropriate emergency equipment, formulate and oversee the implementation of various safety procedures that result in injuries of our employees in work may incur liability to the Group against any compensation, give adverse effect to our reputation and cause an outflow of talents. | – Put in place various work safety procedures, strictly observe and implement precautionary measures for all duties and procedures that are hazardous in nature. Designated persons would be appointed to oversee the implementation of such measures.<br>– Provide training on safety and raise the awareness of our employees (and on-site workers of contractors) on occupational safety<br>– Conduct regular inspection on safety equipment to ensure they are in good working conditions | Increasing |
| Relevant politics, policies and regulations on real estate | Changes of relevant politics, policies and regulations on real estate may affect market demand. Meanwhile, in the event of noncompliance of the Group with relevant regulatory and governing requirements, such as those on environmental matters, licensing, etc., the Group may incur losses due to penalty, suspension or interruption of operation. | – Actively monitor changes of laws and regulations associated with the business of the Group.<br>– Consult legal staff or legal advisors to ensure the Group's compliance with policy, regulatory and governing requirements. | No change |

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

Details for the environmental policies and performance of the Group during the Year are set out in the Environmental, Social and Governance Report on pages 53 to 71.

## MAJOR CUSTOMERS AND SUPPLIERS

Revenue made from the five largest customers of the Group was approximately 73% (2018: approximately 100%) of the Group's turnover, before deducting sales return of properties, for the Year.

Revenue made to the Group's largest customers accounted for approximately 40% (2018: approximately 90%) of the Group's total turnover for the Year.

Purchases made from the five largest suppliers of the Group was approximately 99% (2018: approximately 89%) of the Group's total purchases and purchases from the Group's largest supplier accounted for approximately 43% (2018: approximately 72%) of the Group's total purchases for the Year.

At no time during the Year, the Directors, their close associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's total number of issued shares) had any interest in the five major suppliers and customers.

## FINANCIAL STATEMENTS

The profit of the Group for the Year and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 76 to 161.

## TRANSFER TO RESERVES

The loss attributable to the Shareholders of approximately HK$107,274,000 (2018: approximately profit of HK$124,821,000) has been transferred to reserves. Other movements in reserve are set out in the consolidated financial statements on page 80.

# Directors' Report

## DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the Year (2018: Nil). No interim dividend was declared for the six months ended 30 June 2019 (2018: Nil).

## INVESTMENT PROPERTIES

The Group revalued all of its investment properties at year end date. The revaluation resulted in a loss of approximately HK$167,227,000 (2018: a gain of approximately HK$503,575,000), which has been debited (2019: credited) directly to the consolidated income statement. The deferred tax credit arising from the revaluation amounted is approximately HK$33,273,000 in 2019 (2018: approximately expense of HK$125,894,000). Details of the revaluation and movement are set out in note 18 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 37 to the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "CAPITAL STRUCTURE" and "DIRECTORS' INTERESTS IN SHARES AND OPTIONS" of this Annual Report, no equity-linked agreement was entered into by the Company during the Year.

## REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The emolument policy of the employees of the Group is determined on the basis of their merits, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually.

The Company has adopted a share option scheme on 21 June 2016 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Board, at its discretion, to grant options to selected eligible persons to motivate them and to optimise their performance and efficiency for the benefit of the Group.

## DIRECTORS

The Directors during the Year and up to the date of this Annual Report are:

### Executive Directors:

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa Charmaine
Ms. Kwok Siu Wa Alison

### Non-executive Director:

Ms. Tsang Tsz Tung Debbie (resigned on 12 April 2019)

### Independent non-executive Directors:

Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong
Mr. Wong Sze Lok

Pursuant to Bye-law 111(A) of the Bye-laws, Mr. Ma Xuemian, Mr. Kwok Siu Bun and Ms. Kwok Siu Wa Alison will retire at the forthcoming annual general meeting (the "AGM"). The said Directors, being eligible for re-election, will offer themselves for re-election at the AGM.

The Board has received annual confirmations of independence from each of the three independent non-executive Directors, and as at the date of this Annual Report still considers them independent.

Biographical details of the Directors are set out on pages 10 to 14 of this Annual Report.

## DIRECTORS' APPOINTMENT LETTERS

Each of the executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa Charmaine and Ms. Kwok Siu Wa Alison have entered into an appointment letter with the Company for a term of three years from 1 April 2019 to 31 March 2022. Each of the independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Wong Sze Lok, have entered into an appointment letter with the Company for a term from 1 April 2020 to 31 March 2021.

None of the Directors proposed for re-election at the AGM has an appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

### Share options in the Company

The Company has conditionally adopted the Share Option Scheme on 21 June 2016 under which the eligible persons may be granted options to subscribe for the Company's shares. The purpose of the Share Option Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

Eligible persons under the Share Option Scheme include (collectively "Eligible Persons"):

(i) any director (whether executive or non-executive and whether independent or not) and any employee (whether full time or part time) of the Group (collectively "Employees");

(ii) any consultant or adviser (in the areas of legal, technical, financial or corporate managerial) of the Group or any invested entity (whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid); any provider of goods and/or services to the Group or any invested entity; any customer of the Group or any invested entity; or any holder of securities issued by any member of the Group or any invested entity (collectively "Business Associates"); and

(iii) any other person, who at the sole discretion of the Board, has contributed to the Group (the assessment criteria of which are (1) such person's contribution to the development and performance of the Group; (2) the quality of work performed by such person for the Group; (3) the initiative and commitment of such person in performing his or her duties; (4) the length of service or contribution of such person to the Group; and (5) such other factors as considered to be applicable by the Board).

The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 21 June 2016 and remains in force until 20 June 2026. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant.

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 10 business days from the date of grant. The exercise period of any option granted under the Share Option Scheme must not be more than 10 years commencing on the date of grant.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% of the total number of issued shares of the Company as at the date of approval of the Share Option Scheme. The Board may seek approval by the Shareholders at general meeting to refresh the 10% limit. However, the total number of shares available for issue under exercise of options which may be granted under the Share Option Scheme in these circumstances must not exceed 10% of the total number of issued shares of the Company as at the date of approval of the refreshment of the 10% limit.

# Directors' Report

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of the issued shares of the Company from time to time and the maximum number of shares in respect of which options may be granted to each Eligible Person shall not exceed 1% of the total number of issued shares of the Company for the time being in any 12-month period up to and including the date of offer of the grant. The maximum number of shares in respect of which options may be granted to each substantial Shareholder or independent non-executive Director shall not exceed an aggregate value (based on the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of each grant) of HK$5 million and 0.1% of the total number of issued shares of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

As at the date of this Annual Report, all the options granted under the old share option scheme of the Company and the Share Option Scheme were lapsed.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 21 June 2016.

Details of the share options movements during the Year under both the old share option scheme of the Company and the Share Option Scheme are as follows:

| | | | | Number of share options | | |
|---|---|---|---|---|---|---|
| **Name or category of grantees** | **Date of grant of share options** | **Exercise Price (HK$)** | **Exercise Period** | **Balance as at 01.01.2019** | **Lapsed during the Year** | **Balance as at 31.12.2019** |
| **Directors** | | | | | | |
| Ma Xuemian | 06/05/2016 | 0.356 | 06/05/2016-05/05/2019 | 8,970,286 | 8,970,286 | 0 |
| | 16/11/2016 | 0.250 | 16/11/2016-15/11/2019 | 910,209 | 910,209 | 0 |
| Kwok Siu Bun | 06/05/2016 | 0.356 | 06/05/2016-05/05/2019 | 7,553,925 | 7,553,925 | 0 |
| | 16/11/2016 | 0.250 | 16/11/2016-15/11/2019 | 2,326,570 | 2,326,570 | 0 |
| Chow Kwai Wa Charmaine | 06/05/2016 | 0.356 | 06/05/2016-05/05/2019 | 7,553,925 | 7,553,925 | 0 |
| | 16/11/2016 | 0.250 | 16/11/2016-15/11/2019 | 2,326,570 | 2,326,570 | 0 |
| Kwok Siu Wa Alison | 06/05/2016 | 0.356 | 06/05/2016-05/05/2019 | 7,553,925 | 7,553,925 | 0 |
| | 16/11/2016 | 0.250 | 16/11/2016-15/11/2019 | 2,326,570 | 2,326,570 | 0 |
| Hui Pui Wai Kimber | 06/05/2016 | 0.356 | 06/05/2016-05/05/2019 | 2,832,722 | 2,832,722 | 0 |
| | 16/11/2016 | 0.250 | 16/11/2016-15/11/2019 | 1,018,717 | 1,018,717 | 0 |
| Liu Chaodong | 06/05/2016 | 0.356 | 06/05/2016-05/05/2019 | 2,832,722 | 2,832,722 | 0 |
| | 16/11/2016 | 0.250 | 16/11/2016-15/11/2019 | 1,018,717 | 1,018,717 | 0 |
| **Former Director** | | | | | | |
| Tsang Tsz Tung Debbie | 06/05/2016 | 0.356 | 06/05/2016-05/05/2019 | 6,609,685 | 6,609,685 | 0 |
| (resigned on 12 April 2019) | 16/11/2016 | 0.250 | 16/11/2016-15/11/2019 | 3,270,811 | 3,270,811 | 0 |

| Name or category of grantees | Date of grant of share options | Exercise Price (HK$) | Exercise Period | Number of share options Balance as at 01.01.2019 | Lapsed during the Year | Balance as at 31.12.2019 |
|---|---|---|---|---|---|---|
| Subtotal | | | | 57,105,354 | 57,105,354 | 0 |
| **Beneficial Owner of the Substantial Shareholder** | | | | | | |
| Tsang Yee | 06/05/2016 | 0.356 | 06/05/2016-05/05/2019 | 7,553,925 | 7,553,925 | 0 |
| | 16/11/2016 | 0.250 | 16/11/2016-15/11/2019 | 2,326,570 | 2,326,570 | 0 |
| **Others Employees** | | | | | | |
| In aggregate | 06/05/2016 | 0.356 | 06/05/2016-05/05/2019 | 39,009,638 | 39,009,638 | 0 |
| | 16/11/2016 | 0.250 | 16/11/2016-15/11/2019 | 81,039,048 | 81,039,048 | 0 |
| Total | | | | 187,034,535 | 187,034,535 | 0 |

Note: All of the share options granted have no vesting period or vesting condition.

Information on the accounting policy and the value of options granted is provided in note 4 and note 41 to the consolidated financial statements respectively.

## DIRECTOR' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be 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 were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

| Name of Directors | Capacity/Nature of interests | Number of ordinary share(s) held | Number of underlying shares held pursuant to share options | Total | Total interests as percentage of the total number of issued shares |
|---|---|---|---|---|---|
| Kwok Siu Bun | Beneficial Owner | 1,500,000(L) | – | 1,500,000(L) | 0.06% |
| Chow Kwai Wa Charmaine | Beneficial Owner | 1,950,000(L) | – | 1,950,000(L) | 0.08% |
| Kwok Siu Wa Alison | Beneficial Owner | 3,000,000(L) | – | 3,000,000(L) | 0.12% |

(L): Long position

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 13 to the consolidated financial statements, no Director had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party at any time during the Year.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2019, other than the interests disclosed above in respect of certain Directors, so far as is known to the Directors, the following parties (other than the Directors and chief executives of the Company) had interests of 5% or more in the total number of issued shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

| Name of Shareholders | Capacity/ Nature of interests | Number of ordinary share(s) held | Number of underlying shares held | Total interests as percentage of the total number of issued shares |
|---|---|---|---|---|
| Rhenfield Development Corp. (Note 1) | Beneficial Owner | 703,668,236 | – | 28.73% |
| Tsang Yee | Interest in Controlled Corporation (Note 1) | 703,668,236 | – | 28.73% |
| Tsang Tsz Nok Aleen | Beneficial Owner | 4,745,301 | 913,170,731 (Note 2) | 37.47% |
| | Interest in Controlled Corporation (Note 1) | 703,668,236 | – | 28.73% |
| Lui Kin Chung (Note 3) | Interest of spouse | 708,413,537 | 913,170,731 | 66.20% |
| 周偉康 | Beneficial Owner | 148,695,140 | – | 6.07% |

Notes:

1. Rhenfield Development Corp. is owned as to 50% by Mr. Tsang Yee and 50% by Ms. Tsang Tsz Nok Aleen, who are deemed to be interested in 703,668,236 shares of the Company pursuant to the Part XV of the SFO.

2. The 913,170,731 shares that Ms. Tsang Tsz Nok Aleen are interested in represent the underlying shares of the Company of the aggregate principal amount of convertible bonds of HK$112,320,000 issued by the Company at the conversion price of HK$0.123 per share on 22 February 2019. Details were set out in the announcements of the Company dated 16 November 2018, 22 January 2019, 14 February 2019 and 22 February 2019 and the circular of the Company dated 25 January 2019.

3. Mr. Lui Kin Chung is the spouse of Ms. Tsang Tsz Nok Aleen. Under the SFO, Mr. Lui Kin Chung is deemed to be interested in the same number of shares in which Ms. Tsang Tsz Nok Aleen is interested.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the issued Shares carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Year was the Company, or any of its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors and the chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

## COMPETING INTERESTS

As at 31 December 2019, none of the Directors has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this Annual Report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the Year.

## CONNECTED TRANSACTIONS

(i) On 16 November 2018 (after trading hours of the Stock Exchange), the Company entered into the subscription agreement with the Mr. Tsang Wai Lun Wayland and Ms. Tsang Tsz Nok Aleen (collectively, the "Subscribers"), pursuant to which, the Subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to issue the new convertible bonds in the principal amount of HK$112,320,000. The subscription amount payable by the Subscribers under the subscription agreement shall be satisfied by discharging the payment obligation of the Company on the indebted amount.

Ms. Tsang Tsz Nok Aleen is a substantial shareholder of the Company holding 708,413,537 shares, representing approximately 28.92% of the total number of issued share of the Company as at the date of this Annual Report. Accordingly, the Subscribers are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the subscription constitutes a connected transaction of the Company.

The new convertible bonds carry the right to convert into the conversion shares at the conversion price of HK$0.123 per conversion share (subject to adjustments). Assuming the conversion rights are exercised in full at the conversion price, 913,170,731 conversion shares will be allotted and issued to Ms. Tsang Tsz Nok Aleen.

All the conditions precedent to the subscription agreement have been fulfilled and completion took place on 22 February 2019. Accordingly, the new convertible bonds in the principal amount of HK$112,320,000 were issued in accordance with the terms and conditions of the subscription agreement.

Details were set out in the announcements of the Company dated 16 November 2018, 22 January 2019, 14 February 2019 and 22 February 2019 and the circular of the Company dated 25 January 2019.

(ii) On 26 January 2019, Shenzhen Zongke Real Estate Co., Ltd.（深圳棕科置業有限公司）, a non wholly-owned subsidiary of the Company (the "Vendor") and Mr. Tsang Yee, a substantial shareholder and senior management of the Company (the "Purchaser") entered into a sale and purchase agreement on 26 January 2019 in respect of the sale and purchase of the residential unit of Shenzhen Mix park located at Longgang District, Shenzhen City, China with a gross floor area of approximately 212 square metres and a saleable area of approximately 167.46 square metres (the "Property Unit") (the "Agreement For Sale and Purchase"), pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Property Unit (the "Property Transaction").

The Vendor is the developer of a property project named Shenzhen Mix Park and a non wholly-owned subsidiary of the Company. The Purchaser, being substantial shareholder and senior management of the Company, is a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the Property Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The principal terms of the Agreement For Sale and Purchase are set out as follows:–

Date: 26 January 2019

Parties:
(i) the Vendor
(ii) the Purchaser

Property for sale: the Property Unit

Consideration: RMB11,249,086, payable by the Purchaser in the following manner:

(i) RMB200,000 has been paid before the signing of the Agreement For Sale and Purchase as deposit;

(ii) RMB3,179,086 to be paid upon the signing of the Agreement For Sale and Purchase, and had been fully paid off; and

(iii) The balance of RMB7,870,000 to be paid within 30 days from the date of the Agreement For Sale and Purchase, and had been fully paid off.

# Directors' Report

The development of the Shenzhen Mix Park has been put on sale after obtaining the pre-sale permit of the residential units in the market in December 2018. The Company expects to gain approximately RMB4,300,000 from the Property Transaction. Proceeds from the sales of the Property Unit will be used by the Vendor to finance further development costs.

Details were set out in the announcement of the Company dated 26 March 2020.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Year are set out in note 44 to the consolidated financial statements.

The related party transaction as disclosed in note 44(a) to the consolidated financial statements constituted connected transaction under Chapter 14A of the Listing Rules and accordingly is subject to the reporting and announcement requirements but is exempt from independent Shareholders' approval requirement under the Listing Rules.

The related party transaction as disclosed in note 44(b) to the consolidated financial statements constituted exempt connected transaction under Chapter 14A of the Listing Rules and accordingly is exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

The related party transaction as disclosed in note 44(c) to the consolidated financial statements is not regarded as connected transaction under chapter 14A of the Listing Rules.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules except for the delay in making an announcement regarding the Property Transaction as disclosed in the section headed "CONNECTED TRANSACTIONS" of this Annual Report and such delay constitutes a breach of Rule 14A.35 of the Listing Rules. The remedy action has been taken by the Company which set out in the announcement of the Company date 26 March 2020.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

## FINANCIAL SUMMARY

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated and reclassified as appropriate, is set out in the Annual Report on page 162. This summary does not form part of the audited consolidated financial statements.

## BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in note 32 to the consolidated financial statements.

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

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

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

In the opinion of the Directors, the Group has complied with all the relevant laws and regulations in all material respects for the business operations of the Group during the Year except the deviations stated in the Corporate Governance Report on page 15.

## RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers and customers to meet its immediate and long-term goals.

During the Year, there was no material and significant dispute between the Group and its employees, suppliers and/or customers.

## CHANGES IN INFORMATION OF DIRECTORS

Subsequent to the date of the interim report of the Company for the six months ended 30 June 2019, there has no change in information of the Directors required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

# Directors' Report

## EVENT AFTER THE REPORTING PERIOD

Save as otherwise disclosed in note 45 to the consolidated financial statements, the Group does not have any material subsequent event after the Year and up to the date of this Annual Report.

## AUDITOR

ZHONGHUI will retire at the conclusion of the AGM and being eligible, offer itself for re-appointment at the AGM. A resolution for the re-appointment of ZHONGHUI as the auditor of the Company will be proposed at the AGM.

On behalf of the Board

**Ma Xuemian**
*Chairman*

Hong Kong, 24 April 2020

# Environmental, Social and Governance Report

## ABOUT THIS REPORT

Grand Field Group Holdings Limited ("Grand Field" or the "Company") and its subsidiaries (together, the "Group" or "we") are pleased to publish its fourth Environmental, Social and Governance Report (the "Report"), which illustrates our policies and performance in sustainable development between 1 January 2019 and 31 December 2019 (the "Reporting Period"). This report covers the performance of our Hong Kong office, Shenzhen office and Zongke Cloud Project ("Zongke Cloud Project"), being our key property development project.

The Report is prepared in accordance with the disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

We have always been striving to build a harmonious and inclusive society and constantly seeking opportunities to grow together. As a responsible corporate citizen, we have always been open and honest, and actively communicating with stakeholders to formulate our sustainable development policy. We hope that the Report plays a constructive role in establishing the direction for our sustainable development and continuously assessing the effectiveness of our relevant efforts. To this end, we welcome opinions about the Report and the performance of our sustainable development. Please feel free to send your valuable opinions to info@gfghl.com.

## SUSTAINABLE DEVELOPMENT GOVERNANCE

We manage the Environmental, Social and Governance risks comprehensively by establishing sound governance structure. The Board is the supreme authority responsible for monitoring sustainable development, environmental, social and governance issues and risks. Environmental, Social and Governance team was established comprising of management staff from each entity that included in the Environmental, Social and Governance Report to actively implement sustainable development strategies, work plans and performance target management. We also conducted stakeholder engagement and materiality assessment to ensure that we focused on issues relevant to our stakeholders and the Group's business.

## STAKEHOLDER ENGAGEMENT

We encourage front-line staff to communicate with stakeholders on an ongoing basis through their day-to-day business processes and to collect a wide range of stakeholders' views on our environmental, social and governance. Our key stakeholders include shareholders and investors, employees, customers, business partners (such as contractors, material suppliers, etc.), government regulatory department and the community in the vicinity of the project. In assessing the scope to be covered by the Report, we have considered opinions of different stakeholder groups and have identified and developed an understanding of their views on the Group's sustainable development through various channels, including communication during our operation, general meetings, interviews, training programs and conferences.

| Stakeholders Categories | Communication Activities |
|---|---|
| Shareholders and investors | Annual general meetings and results announcements<br>Annual and interim reports<br>Company websites<br>Roadshows and investor meetings |
| Employees | Staff meetings and daily meetings<br>Internal communication group<br>Training activities and talent development programmes<br>Staff competitions and team-building activities<br>Whistleblowing system |
| Customers | Customer service hotlines<br>Customer query<br>Meetings and visits<br>Social media and company websites |
| Business partners | Audits and performance review<br>Visits and meetings<br>Tendering and procurement processes |
| Government regulatory department | Consultation and meetings |
| The community in the vicinity of the project | Complaints and enquires<br>Meetings<br>Public/community events |

# Environmental, Social and Governance Report

We hope to closely communicate with all stakeholders on an ongoing basis through using the Environmental, Social and Governance Report as a platform, in order to formulate sustainable development strategies together.

## MATERIALITY ASSESSMENT

Our importance assessment process identifies a range of factors on which our business depends for sustainable development, as well as environmental, social and governance issues. In the assessment process, we attach great importance to the views of stakeholders and work hard to implement the management of relevant issues. The list of relevant issues can be broadly classified as these areas:

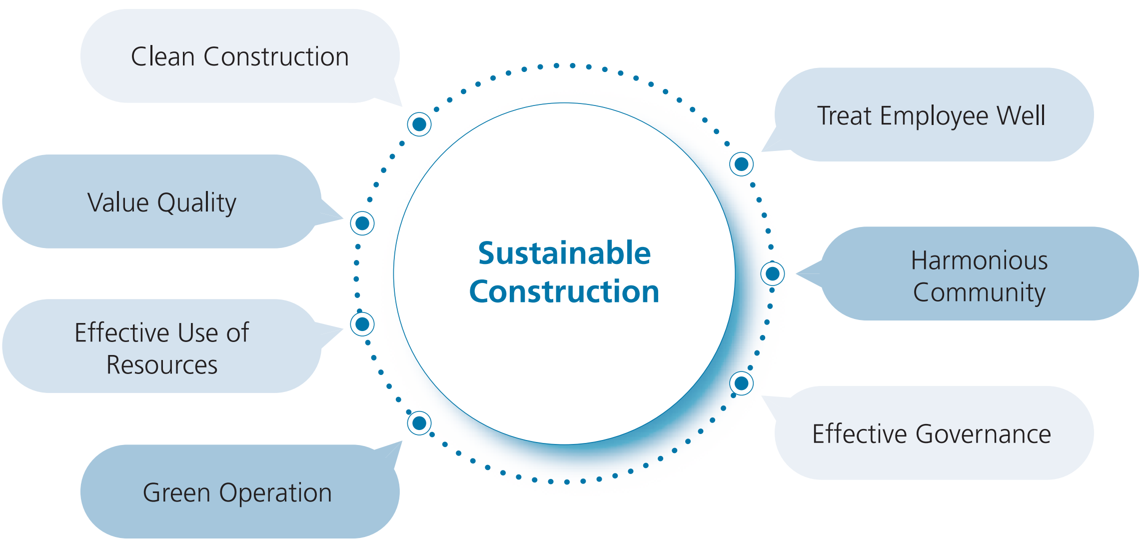
| Relevant Issues | Subject Areas | Sustainable Development Vision | Relevant Section |
|---|---|---|---|
| The impact of the construction projects and operations process on the environment | Environment | Clean Construction<br>Green Operation | Emissions |
| The impact of the construction projects and operation process on the nearby residents | Environment | Clean Construction<br>Green Operation | The Environment and Natural Resources |
| Effective use of resources such as energy and water | Environment | Effective Use of Resources | Use of Resources |
| Quality of construction projects | Society | Value Quality | Supply Chain Management<br>Product Responsibility<br>Development and training |
| Treat their employees well | Society | Treat Employee Well | Employment<br>Health and Safety<br>Development and Training<br>Labour standards and equal opportunities |
| Maintain a good corporate citizenship | Society | Harmonious Community | Community investment |
| Effective management of enterprise risk | Governance | Effective Governance | Anti-corruption<br>See also "Corporate Governance Report" |

# Environmental, Social and Governance Report

## SUSTAINABLE DEVELOPMENT VISION

### Sustainable Construction

Rome wasn't built in a day, the community needs sustained development to support it. While we are dedicated to providing construction services for the public, we recognise the importance of environmental protection. We conduct environmental impact analysis of our construction project since project planning stage, incorporating environmental considerations into architectural design, careful planning to prevent soil erosion before construction, taking the initiative to communicate with the surrounding affected communities and listening to the opinions and feedbacks from them. We have proactively taken a series of measures to reduce air pollution, sewage, solid waste and noise pollution produced during construction, so as to minimize the impact on the surrounding environment and residents nearby.



# Environmental, Social and Governance Report

We have strictly implemented energy and water resources management to prevent unnecessary wastage. We also worked closely with contractors and suppliers to implement various measures in order to ensure the efficient use of resources, for example, the sewage generated from construction sites will be used for site watering and greening after precipitation, so as to reduce the consumption of clean water. We have also formulated environmental protection policies for our office, implemented various water and energy conservation measures and promoted environmental awareness in employee, in an effort to achieve sustainable construction goals.

As human resources are our valuable assets, it is vital to the long-term development of the Group to attract and train talents and to ensure their health and safety. We create a workplace with equality, zero discrimination and constantly pay attention to our employees' benefits. In addition, we introduce training programs and implement various safety measures to minimize the accident rate so that every employee works safely.

We maintain a good corporate citizenship and work with employees, community groups and organisations to support meaningful community activities.

## Sustainability Performance Summary

During the Reporting Period, the Group's environmental performance indicators are summarized as follows:

| | Key performance indicators | | |
|---|---|---|---|
| **Type of emissions** | **2019** | **2018** | **Unit** |
| **Air emissions** | | | |
| Nitrogen oxides (NOx) | 42.13 | 110.83 | kg |
| Sulphur oxide (SOx) | 0.89 | 2.30 | kg |
| Particulate matter (PM)[1] | 1.90 | 4.38 | kg |

*Note 1:* Particulate matter emissions exclude suspended dust produced by construction due to the difficulty in accurate quantification of dust emissions at construction sites.

| Type of emissions | Key performance indicators 2019 | 2018 | Unit |
|---|---|---|---|
| **Greenhouse gas emissions** | | | |
| Total emissions (Scope I and Scope II) | 933.65 | 481.35 | tonnes of carbon dioxide equivalent |
| Scope I | 40.38 | 36.53 | tonnes of carbon dioxide equivalent |
| Scope II | 893.27 | 444.82 | tonnes of carbon dioxide equivalent |
| Intensity (per square meter) | 5.16 | 2.66 | kg of carbon dioxide equivalent |

| Type of emissions | Key performance indicators 2019 | 2018 | Unit |
|---|---|---|---|
| **Non-hazardous waste** | | | |
| Total | 179.95 | 230.13 | tonnes |
| Paper | | | |
| Disposed | 0.03 | 0.03 | tonnes |
| Metal | | | |
| Recycled | 88.33 | 14.25 | tonnes |
| Disposed | – | 74.25 | tonnes |
| Wood | | | |
| Recycled | 90.99 | 18.25 | tonnes |
| Disposed | – | 122.75 | tonnes |
| Domestic and other waste | | | |
| Recycled | 0.12 | 0.12 | tonnes |
| Disposed | 0.48 | 0.48 | tonnes |
| Intensity (per square meter) | 0.99 | 1.27 | kg |
| **Hazardous waste** | | | |
| Waste paint buckets | 0.6 | – | tonnes |

| Type of resources | Key performance indicators 2019 | 2018 | Unit |
|---|---|---|---|
| **Energy** | | | |
| Total energy consumption | 1,831,393.31 | 955,330.57 | kWh |
| Purchased electricity | 1,695,385.57 | 844,345.22 | kWh |
| Electricity consumption by construction site | 1,639,546.00 | 789,384.22 | kWh |
| Electricity consumption by office | 55,839.57 | 54,961.00 | kWh |
| Non-renewable fuel | 136,007.74 | 110,985.35 | kWh |
| Intensity (per square meter) | 10.13 | 5.28 | kWh |

| Type of resources | Key performance indicators 2019 | 2018 | Unit |
|---|---|---|---|
| **Water consumption** | | | |
| Total water consumption | 49,411.00 | 67,155.00 | $m^3$ |
| Intensity (per square meter) | 0.27 | 0.37 | $m^3$ |

## EMISSIONS

We strive to mitigate the impact of property development project on the surrounding environment and neighbouring communities. To this end, we conduct a detailed environmental impact assessment before construction to identify major air pollutants, sewage and solid waste which will get improved in the process of the project. As the discharge of pollutants varies with the progress of the project, we will take corresponding emission reduction and treatment measures at each construction stage according to the actual situations, so as to ensure that the impact of pollutants on the environment are minimised throughout the project construction process. We also strictly comply with all laws and regulations regarding air emissions and greenhouse gas emissions, discharge of sewage to water and land, hazardous and non-hazardous wastes. During the Reporting Period, we were not aware of any violation of relevant laws and regulations.

### Air Pollutants

Our emissions mainly derive from indirect greenhouse gas emissions as a result of the use of purchased electricity. Some of our construction equipments (e.g. forklifts) on construction sites require the use of diesel-powered engines and will directly produce air emissions. We applied more eco-friendly materials, such as commercial concrete and aerated concrete block in our construction project so as to reduce impact on environment. The use of commercial concrete can reduce pollutions arising from dust, noise and sewage at the construction sites since it is the prepared concrete mixture purchased from the concrete mixing stations which are located in the rural-urban fringe and concentrated in the production of concretes, rather than produced on-site. Compared with the traditional clay brick, aerated concrete block is a new eco-friendly wall material, which can save the use of mortar by reducing mortar joint when building the wall. Besides, aerated concrete block also can reduce greenhouse gases generated by air conditioner in hot summer or cold winter due to its low heat conductivity coefficient with heat preservation effect as quadruple of that of clay brick and as triple of that of concrete hollow block. In addition, we have used eco-friendly dust suppression cannon machine to remove dust directly or indirectly produced at the construction sites during the course of construction through its nozzle to spray water being atomized into water droplets to the air so as to remove dust.

| | Key performance indicators | | |
|---|---|---|---|
| **Type of emissions** | **2019** | **2018** | **Unit** |
| **Air emissions** | | | |
| Nitrogen oxides (NOx) | 42.13 | 110.83 | kg |
| Sulphur oxide (SOx) | 0.89 | 2.30 | kg |
| Particulate matter (PM)[1] | 1.90 | 4.38 | kg |

Note 1: Particulate matter emissions exclude suspended dust produced by construction due to the difficulty in accurate quantification of dust emissions at construction sites.

| | | | |
|---|---|---|---|
| **Greenhouse gas emissions** | | | |
| Total emissions (Scope I and Scope II) | 933.65 | 481.35 | tonnes of carbon dioxide equivalent |
| Scope I | 40.38 | 36.53 | tonnes of carbon dioxide equivalent |
| Scope II | 893.27 | 444.82 | tonnes of carbon dioxide equivalent |
| Intensity (per square meter) | 5.16 | 2.66 | kg of carbon dioxide equivalent |

### Sewage

Sewage discharged by the project mainly derives from slurry water, equipment washing water and domestic sewage produced during construction. As the suspended solids and organic matter contained in the sewage may block the sewers and pollute water sources, we will appropriately treat the sewage in accordance with the Class III standards for the second time phase specified in Discharge Limits of Water Pollutants (《水污染物排放限值》) (DB44/26-2001) issued by the Environmental Protection Bureau of Guangdong Province (廣東省環境保護局) and the Administration of Quality and Technology Supervision of Guangdong Province (廣東省品質技術監督局). The washing venue for the construction machinery and equipment is equipped with a ground sink which is connected to temporary grease trap and sedimentation tank. After precipitation, the treated sewage will be used for ground sprinkling and plant watering, etc.. Slurry water produced during construction will be discharged from the grit chamber after sedimentation. In addition, after a pre-treatment in the simplified tank system of the construction camp site to meet the Class III standards for the second time phase specified in Discharge Limits of Water Pollutants (《水污染物排放限值》) (DB44/26-2001) of local standard in Guangdong Province, the domestic sewage will be imported to a municipal pipe network for further treatment at the Sewage Treatment Plant of Buji.

### Solid Waste

As the construction works in the year were mainly structural and decoration works, no large amount of spoil and rock blocks were produced in the year. We have also strived to recycle and reuse them to minimize disposal and mitigate negative impact on the environment. Renovation works will generate hazardous waste such as paint buckets, which will be collected and handled properly by qualified companies appointed by us.

| | Key performance indicators | | |
|---|---|---|---|
| **Type of emissions** | **2019** | **2018** | **Unit** |
| **Non-hazardous waste** | | | |
| Total | 179.95 | 230.13 | tonnes |
| Paper | | | |
| Disposed | 0.03 | 0.03 | tonnes |
| Metal | | | |
| Recycled | 88.33 | 14.25 | tonnes |
| Disposed | – | 74.25 | tonnes |
| Wood | | | |
| Recycled | 90.99 | 18.25 | tonnes |
| Disposed | – | 122.75 | tonnes |
| Domestic and other waste | | | |
| Recycled | 0.12 | 0.12 | tonnes |
| Disposed | 0.48 | 0.48 | tonnes |
| Intensity (per square meter) | 0.99 | 1.27 | kg |

| Type of emissions | Key performance indicators 2019 | 2018 | Unit |
|---|---|---|---|
| **Hazardous waste** | | | |
| Waste paint buckets | 0.6 | – | tonnes |

The implementation of various emission reduction and waste treatment measures enables us to manage the waste produced by our operations effectively and to control the amount of waste generated at a reasonable level.

| Types of waste | Emission reduction/waste treatment measures |
|---|---|
| Construction waste (metal and timber) | Sorted and collected for recycling and reuse to the greatest extent |
| Domestic and other construction waste | Those cannot be recycled and reused are placed at the waste deposit point, which is in turn collected by the environment and health department and handled by the municipal waste disposal and transportation system |
| Office waste | Waste is sorted by type and recycled by appropriate waste collectors and recyclers<br>A paperless and electronic office is promoted<br>Printing and photocopying on both sides are encouraged<br>Any additions to office equipment and supplies should be justified with actual requirements and usage |

## IMPACTS ON THE ENVIRONMENT AND NATURAL RESOURCES

In order to achieve sustainable development, we are committed to minimizing the environmental impacts brought at different stages, and we will incorporate environmental considerations in our design, planning and construction of the project. We have commissioned professional consultants to conduct environmental impact analysis on our construction project during construction and operation periods, covering the aspects of air pollutants, sewage discharge, solid waste, noise and soil erosion. Based on the assessment results, we have proactively adopted a series of targeted measures to mitigate the environmental impact of our project.

### Green Construction

We have strengthened the greening at the bus terminus in the housing estates to reduce the impact of noise from the bus station on nearby residents. We have taken different measures in respect of our projects to construct more eco-friendly buildings. For example, when designing the buildings, we have reserved flue ducts which lead fumes from the household kitchen to rooftop, and our buildings are also designed to use natural light to reduce energy consumption.

### Real-time Monitoring

We have set up a real-time monitoring system at the construction site which automatically displays data on temperature, humidity, noise and dust pollution (TSP, PM2.5 and PM10), so that we can promptly understand the environment of the construction site and take corresponding measures in a timely manner when pollution increases.

### Noise

In strict compliance with Regulation of Noise Control of Construction Work in Shenzhen（《深圳市建築施工噪聲管理規定》）(SH No. [2000] 93) and Environmental Quality Standard for Noise（《聲環境質量標準》（GB3096-2008）, the construction time is scheduled between 7 a.m. and 11 p.m. so as to minimize the impact of the noise produced by our project on residents. We prefer to select and use equipment with less noise pollution. Where the use of equipment producing noise pollution is inevitable, we will implement certain noise and vibration dampening measures. For example, we install noise barriers at the nearby sensitive area, ensuring that the noise from the project boundary and sensitive area of the surrounding area will meet the corresponding threshold standard.

### Soil Erosion

We have commissioned qualified third parties to prepare reports on soil and water conservation programs, so as to assess soil erosion during our construction of basement and ground buildings. In addition to the measures to preserve soil and water during the main works of the project, temporary water conservation measures will also be employed at the construction sites, including the dumping of constructions spoil at designated sites, the construction of drainage channels and the establishment of temporary construction fences, in order to mitigate soil erosion.

| Soil and water conservation design in main works | |
|---|---|
| Permanent drainage system | The drainage system features the diversion of sewage and rain. The main works have designed DN300~DN800 rainwater pipes based on the rainwater catchment area and rainfall. The rainwater pipe outlets are connected via DN700 and DN800 rainwater pipes to the municipal rainwater pipes under the planned Huande Road and the existing Xihuan Road. The sewage outlets are connected via DN300 sewage pipes to the municipal sewage pipes under the planned Huande Road and the existing Xihuan Road. |
| Landscaping design | Various greening tree species will be planted around the project area and the parking lots and on the roof. |
| Ground hardening | The ground of the main pavements and ground parking lots is hardened. The hardened road surface can effectively cover the exposed surface of the project area so that it will not be washed away by rainwater and thus plays a role in water and soil conservation. |

## USE OF RESOURCES

### Energy Conservation

Our energy consumption mainly derives from purchased electricity, which is partly consumed by some of the construction equipments for property development, the lighting system at the construction site and the daily operation of our office. In the current year, the increase in energy consumption mainly arises from the purchased electricity for construction site, which is because the construction projects have entered the decoration stage in the year. Therefore, the electricity consumption has increased. We expect that energy can be efficiently used in all respects of our operations, and that the emissions indirectly produced by electricity consumption can be reduced through energy conservation. Therefore, we have worked closely with the construction team to implement energy conservation measures, and we have also raised employees' awareness of environmental protection and provided energy conservation guidelines by formulating environmentally friendly policies for our office.

| | Key performance indicators | | |
|---|---|---|---|
| **Type of resources** | **2019** | **2018** | **Unit** |
| **Energy** | | | |
| Total energy consumption | 1,831,393.31 | 955,330.57 | kWh |
| Purchased electricity | 1,695,385.57 | 844,345.22 | kWh |
| Electricity consumption by construction site | 1,639,546.00 | 789,384.22 | kWh |
| Electricity consumption by office | 55,839.57 | 54,961.00 | kWh |
| Non-renewable fuel | 136,007.74 | 110,985.35 | kWh |
| Intensity (per square meter) | 10.13 | 5.28 | kWh |

| Goal | Energy conservation measures |
|---|---|
| **Construction site of the project** | |
| ➢ To unify energy conservation policy<br>➢ To reduce unnecessary consumption of resources | ➢ To communicate with contractors about the energy conservation requirements<br>➢ To assign engineers to supervise electricity consumption by the contractors<br>➢ To post signage of "Save Electricity" as a reminder |
| **Office** | |
| ➢ To raise employees' environmental protection awareness<br>➢ To improve the efficiency in use of resources | ➢ To formulate environmental protection policy for our office<br>➢ To post signage of "Save Electricity" as a reminder near power switches<br>➢ To purchase energy saving equipment to improve efficiency in electricity consumption<br>➢ To encourage the use of telephone or mail in lieu of business travels |

By implementing the energy-saving measures above, we have effectively managed the use of energy and controlled the energy consumption within a reasonable range.

# Environmental, Social and Governance Report

## Water Conservation

Our water consumption mainly derives from construction usage, equipment washing usage and domestic usage. We also spray water on the construction site to reduce the dust produced by the construction work. Water conservation plays an important role in our resource management. In order to improve the efficiency in water consumption, we have formulated different programs to manage water consumption at the project construction site and our office.

| | Key performance indicators | | |
|---|---|---|---|
| **Type of resources** | **2019** | **2018** | **Unit** |
| **Water consumption** | | | |
| Total water consumption | 49,411.00 | 67,155.00 | $m^3$ |
| Intensity (per square meter) | 0.27 | 0.37 | $m^3$ |

| Goal | Water conservation measures |
|---|---|
| **Construction site of the project** | |
| Reducing unnecessary consumption of resources | ➢ To check water supply pipeline on a regular basis to ensure that there is no water leakage and thus to reduce any wastage in water resources<br>➢ To shut down the water supply system during holidays and at night<br>➢ The washing venue for construction machinery and equipment is equipped with a ground sink which is connected to temporary grease trap and sedimentation tank. After precipitation, the treated sewage will be used for ground sprinkling and plant watering in order to reduce clean water consumption. |
| **Office** | |
| To raise employees' environmental protection awareness | ➢ To formulate environmental protection policy for our office<br>➢ To post signage "Save water" in pantries and washrooms as a reminder |

By implementing the water conservation measures above, we have effectively managed the use of water and controlled the water consumption within a reasonable range.

## ATTRACTING AND TRAINING TALENTS

### Employment policies

As a long-term development strategy of the Group, we establish an ideal working environment and listen to employees' feedback to attract talents with enthusiasm and competent skills. We have formulated internal employment policies and rules in accordance with the Employment Ordinance of Hong Kong, the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, as well as other relevant laws and regulations. Employee benefits, including compensation and dismissal, recruitment, working hours, leave management, prevention on sexual harassment and the expectations to employees' conduct and behaviour are outlined in the staff handbook. The Group provides employees with market-competitive salaries, benefits, vacations, training and promotion opportunities, so that employees can show their best. The Group observes and complies with Employment Ordinance (Chapter 57), Employees' Compensation Ordinance (Chapter 282) and Minimum Wage Ordinance (Chapter 608) and in Mainland China, the Group complies with the Labour Law of the PRC and Labour Contract Law of the PRC (collectively, "PRC Labour Laws").

### Training, development and promotion opportunities

We value the personal development of our employees and provide them with adequate internal and on-the-job training programs. Meanwhile, we also encourage our employees to actively participate in the training courses organized by external organizations so that our employees can continuously make progress, thereby promoting sustainable business development of the Group. In addition, we attach great importance to the safety training for our construction team. We supervise and ensure that the contractors provide on-site construction workers with adequate safety equipment and safety training programs, and we frequently check and ensure that all safety measures are in place.

We have a mechanism with fair treatment for reward and punishment. We evaluate the performance of our employees on annual basis, and adjust their remuneration or promotion based on their performance after reviewing their remuneration packages to recognize their efforts. In addition to continuously improving the system of performance appraisal and remuneration and fringe benefits, we also emphasize the mutual support between employees and regularly hold various parties and group building activities to increase their sense of belonging to the Company.

## HEALTH AND SAFETY

Occupational health and safety is our top priority at the construction sites. We require the contractors to properly manage workers' safety under the supervision of our project field engineer to identify safety issues and ensure measures taken to address and prevent the safety issues at the construction sites. As a responsible property developer, we make sure that the contractors comply with the standards and regulations for safe production and civilized construction and clearly require the contractors to provide employees with safety equipment and to check whether the construction workers are wearing such equipment at all times. In order to minimize casualties caused by accidents, we have appointed a site safety officer to provide safety training for newly recruited employees and enhance workers' awareness of emergency response and relevant procedures on a regular basis. We have also set up safety signs to remind employees of the importance of safe construction, so as to enhance their safety awareness.

During the Reporting Period, there was no non-compliance with Occupational Safety and Health Ordinance (Chapter 509) in our operations in Hong Kong and Production Safety Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and Construction Law of the People's Republic of China in Mainland China.

## LABOUR STANDARDS AND EQUAL OPPORTUNITIES

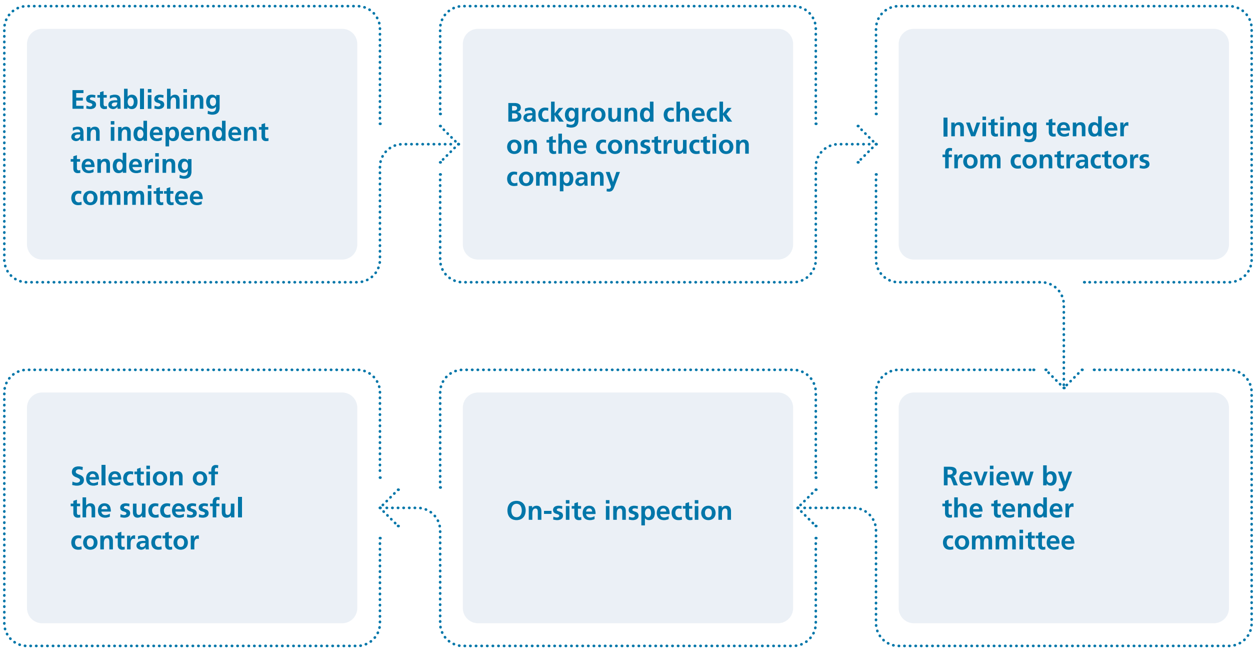
We strictly abide by relevant labour laws and regulations and prohibit the employment of child labour and forced labour in our business operations. In addition to setting out clear requirements within the Group's internal human resource management policies to safeguard the legitimate rights and interests of employees, we will ensure that contractors comply with relevant requirements. In order to achieve the goal of compliance, we will obtain employees' identity documents to verify their age before entering into a labour contract with them, and assign engineers to conduct on-site supervision at the construction site, aiming to ensure that the contractors' works do not involve any child labour or forced labour. During the Reporting Period, there was no incident of child labour or forced labour in the Group.

### Policy on Equality

We are committed to promote equal opportunities and anti-discrimination in the employment practices and comply with Sex Discrimination Ordinance (Chapter 480), Disability Discrimination Ordinance (Chapter 487), Family Status Discrimination Ordinance (Chapter 527) and Race Discrimination Ordinance (Chapter 602). We emphasize the principles of fairness, equality and merit in the recruitment process regardless of race, color, gender or other factors unrelated to work ability. We also expressly stipulate that any form of discrimination and exclusion based on gender, race, religious belief, political affiliation, sexual orientation, position, nationality and age is prohibited within the Group, thereby creating a fair and harmonious workplace.

## SUPPLY CHAIN MANAGEMENT

Effective management of the supply chain helps us to ensure the quality and progress of the project and to create value for the Group. Therefore, we have established a strict tendering system.




The contractors not only play an important role in our business, but also in enhancing the performance of our sustainable development. As such, we clearly communicate our principles and expectations to our business partners, and have formulated effective mechanisms to ensure that our contractors share the same philosophy with us in sustainable operations. Our contracts with contractors stipulate that the contractor shall comply with labour-related laws and regulations, provide appropriate instructions and regular trainings for the workers, and ensure that only qualified, trained and experienced personnel can carry out relevant works at the construction site. We will also assign engineers to supervise site safety and the implementation of emission reduction and energy conservation measures, so as to ensure that our sustainable development performance can meet our expectations. Our suppliers are required to comply with the requirements of the “Code of Conduct of Suppliers” in various aspects, such as environmental protection, health and safety, morality, law and regulation compliance.

## PRODUCT RESPONSIBILITY

### Data protection and privacy

We value our customers' right to privacy and are committed to protecting their privacy. Before collecting personal data, we will provide customers with a personal data collection statement to ensure that they understand the purpose of the data collection. Relevant stored information can only be accessed in the case of necessity for business and authorization by the management while general staff are prohibited from access.

### Marketing materials

We comply with the relevant laws and regulations regarding the property sales process stipulated under the Law of RPC on Urban Real Estate Management. We have obtained official sales license from the real estate management department and displayed it at the sales site. The property sales process and marketing materials must be reviewed by multiple departments such as department of finance, project management, sales and marketing, and should clearly reflect the actual project plan and surrounding facilities. Exaggerated and misleading marketing materials are prohibited, so as to avoid the possibility of false statement. During the Reporting Period, we did not record any violation of relevant laws and regulations of Mainland China as for our property sales process and marketing materials.

### Project Quality

On top of our strict selection of qualified contractors, we actively supervise the construction team during the construction of the project to improve the quality of the project. Our in-house engineers conduct inspections on a daily basis, and review our safety and quality work on a weekly basis to improve the same. Moreover, we clearly state in the contract that the contractor shall carry out the construction work in accordance with the requirements of the relevant standards, specifications and design drawings as well as the instructions given by supervision engineers, and shall be subject to examination and inspection by supervision engineers at any time. We also supervise and ensure that there are adequate handover arrangements in place among different construction teams (e.g., subcontractors). In addition, we monitor the progress of the project and the completion of each stage in a regular manner to ensure that construction teams have adequate knowledge and skills to complete relevant work according to the specifications, materials requirement, construction process and other requirements specified in the construction contract and construction drawings while complying with the relevant laws and regulations.

## ANTI-CORRUPTION

### Culture Of Integrity

We have zero tolerance to corruption and bribery, extortion, fraud and money laundering. The Group's employee handbook expressly stipulates that when discharging duties, employees are prohibited to request, offer, deliver or receive any kind of gift, accommodation, rebate, bribery or other inappropriate benefit for the benefit of themselves or any third party. To ensure that these requirements are clearly understood by employees, we explain and provide guidance on identifying relevant misconducts. A "whistle-blowing policy" has been established for employees to report non-compliance with the laws, regulations and relevant Group policies in the course of our operation and management to the senior management through phone calls, letters, e-mails or reporting in person.

Apart from the culture of integrity of the Group, our sound corporate governance framework also plays an important role in promoting the sustainable development of the Group. For details of the Group's corporate governance, please refer to the "Corporate Governance Report".

## COMMUNITY INVESTMENT

While constructing buildings for the community, we attach great importance to the needs of all parties in the neighboring communities of the project. We supported local community groups to continually serve those in need, especially the elderly and children, in a bid to promote exercise habits and improve the health of our employees and even the community as a whole. We also encourage employees to participate in various charitable sports activities so that more charitable organisation can enjoy the benefit.

# Independent Auditor's Report

中汇
ZHONGHUI

**TO THE SHAREHOLDERS OF**
**GRAND FIELD GROUP HOLDINGS LIMITED**
*(Incorporated in Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 76 to 161, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK$101,219,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of approximately HK$730,839,000. These conditions indicates the existence of a material uncertainty which may cast 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 matter described below to be the key audit matter to be communicated in our report.

*Investment properties*
*Refer to Note 18 to the consolidated financial statements*

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of approximately HK$3,361,304,000 as at 31 December 2019 and the fair value loss of approximately HK$167,227,000 for the year then ended are material to the consolidated financial statements. In addition, the Group’s fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation reports and meeting with the external valuer, to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation model to supporting evidence;

– Checking arithmetical accuracy of the valuation model; and

– Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group’s fair value measurement of the investment properties is supported by the available evidence.

# Independent Auditor's Report

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information 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.

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/ This description forms part of our auditor's report.

**ZHONGHUI ANDA CPA Limited**
*Certified Public Accountants*
**Ngan Hing Hon**
Audit Engagement Director
Practising Certificate Number P05294
Hong Kong, 24 April 2020

# Consolidated Income Statement

*For the year ended 31 December 2019*

| | Notes | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|---|
| **Revenue** | 8 | **3,542** | 68,019 |
| Cost of revenue | | **(721)** | (14,856) |
| **Gross profit** | | **2,821** | 53,163 |
| Interest revenue | | **956** | 303 |
| Other revenue | 9 | **67** | 171 |
| Other gains and losses | 9 | **(166,986)** | 503,600 |
| Selling and distribution costs | | **(14,135)** | (1,901) |
| Administrative expenses | | **(37,575)** | (66,818) |
| **(Loss)/profit from operations** | | **(214,852)** | 488,518 |
| Finance costs | 10 | **(4,651)** | (2,290) |
| Share of loss of an associate | | **(2,636)** | – |
| Fair value gain/(loss) on convertible bonds through profit or loss | 36 | **4,044** | (9,586) |
| **(Loss)/profit before tax** | | **(218,095)** | 476,642 |
| Income tax credit/(expense) | 11 | **50,271** | (123,920) |
| **(Loss)/profit for the year** | 12 | **(167,824)** | 352,722 |
| **Attributable to:** | | | |
| Owners of the Company | | **(101,219)** | 193,255 |
| Non-controlling interests | | **(66,605)** | 159,467 |
| | | **(167,824)** | 352,722 |
| **(Loss)/earnings per share** | 14 | | |
| Basic *(HK cents per share)* | | **(4.13)** | 9.95 |
| Diluted *(HK cents per share)* | | **(4.13)** | 8.28 |

# Consolidated Statement of Comprehensive Income

*For the year ended 31 December 2019*

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **(Loss)/profit for the year** | 12 | **(167,824)** | 352,722 |
| **Other comprehensive income/(loss)** | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| Fair value gain on financial liabilities designated at fair value through profit or loss attributable to change in credit risk | | **230** | – |
| Exchange differences on translation of an associate | | **33** | – |
| Exchange differences on translation of foreign operations | | **(20,716)** | (119,254) |
| **Total comprehensive (loss)/income for the year** | | **(188,277)** | 233,468 |
| **Attributable to:** | | | |
| Owners of the Company | | **(107,274)** | 124,821 |
| Non-controlling interests | | **(81,003)** | 108,647 |
| | | **(188,277)** | 233,468 |

# Consolidated Statement of Financial Position

*As at 31 December 2019*

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 17 | **19,062** | 15,966 |
| Investment properties | 18 | **3,361,304** | 3,270,812 |
| Prepaid premium for land leases | 19 | **–** | 5,268 |
| Intangible asset | 20 | **13,032** | 14,009 |
| Deferred tax assets | 35 | **25,089** | 17,179 |
| Goodwill | 21 | **36,773** | 36,773 |
| Right-of-use assets | 22 | **5,338** | – |
| Investment in an associate | 23 | **30,922** | – |
| | | **3,491,520** | 3,360,007 |
| **Current assets** | | | |
| Trade receivables | 25 | **1,945** | 2,288 |
| Properties for sale under development | 26 | **781,199** | 592,595 |
| Properties for sale | 27 | **28,519** | 28,970 |
| Other receivables, deposits and prepayments | 28 | **98,438** | 49,389 |
| Amounts due from a director | 29 | **911** | 150 |
| Tax recoverable | | **15,550** | 87 |
| Cash and cash equivalents | 30 | **164,134** | 127,652 |
| | | **1,090,696** | 801,131 |
| **Current liabilities** | | | |
| Trade and other payables | 31 | **1,215,607** | 299,915 |
| Interest-bearing borrowings | 32 | **599,852** | 506,894 |
| Lease liabilities | 33 | **208** | – |
| Amounts due to directors | 34 | **812** | 883 |
| Amount due to a shareholder | 34 | **–** | 113 |
| Tax payable | | **5,056** | 5,133 |
| | | **1,821,535** | 812,938 |

# Consolidated Statement of Financial Position

*As at 31 December 2019*

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Net current liabilities** | | **(730,839)** | (11,807) |
| **Total assets less current liabilities** | | **2,760,681** | 3,348,200 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 35 | **507,160** | 565,311 |
| Convertible bonds | 36 | **108,046** | – |
| Interest-bearing borrowings | 32 | **55,875** | 505,012 |
| | | **671,081** | 1,070,323 |
| **NET ASSETS** | | **2,089,600** | 2,277,877 |
| **Capital and reserves** | | | |
| Share capital | 37 | **244,955** | 244,955 |
| Reserves | | **886,364** | 993,638 |
| **Equity attributable to owners of the Company** | | **1,131,319** | 1,238,593 |
| **Non-controlling interests** | | **958,281** | 1,039,284 |
| **TOTAL EQUITY** | | **2,089,600** | 2,277,877 |

Approved by:

**Ma Xuemian**
*Director*

**Kwok Siu Wa, Alison**
*Director*

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2019*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium account HK$'000 | Share option reserve HK$'000 | Special reserve HK$'000 | Capital reserve HK$'000 | Exchange reserve HK$'000 | Retained profit HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 January 2018 | 151,905 | 415,555 | 19,007 | (2,215) | – | 77,265 | 339,066 | 1,000,583 | 814,131 | 1,814,714 |
| Profit for the year | – | – | – | – | – | – | 193,255 | 193,255 | 159,467 | 352,722 |
| Other comprehensive loss for the year | – | – | – | – | – | (68,434) | – | (68,434) | (50,820) | (119,254) |
| Total comprehensive (loss)/income for the year | – | – | – | – | – | (68,434) | 193,255 | 124,821 | 108,647 | 233,468 |
| Capital injection by non-controlling shareholder | – | – | – | – | – | – | – | – | 121,376 | 121,376 |
| Deregistration of a subsidiary | | | | | | | | | | |
| – NCI portion | – | – | – | – | – | – | – | – | (4,870) | (4,870) |
| Placing of shares | 11,399 | 7,562 | – | – | – | – | – | 18,961 | – | 18,961 |
| Share options lapsed | – | – | (555) | – | – | – | 555 | – | – | – |
| Open offer | 81,651 | 12,577 | – | – | – | – | – | 94,228 | – | 94,228 |
| At 31 December 2018 | 244,955 | 435,694 | 18,452 | (2,215) | – | 8,831 | 532,876 | 1,238,593 | 1,039,284 | 2,277,877 |
| At 1 January 2019 | 244,955 | 435,694 | 18,452 | (2,215) | – | 8,831 | 532,876 | 1,238,593 | 1,039,284 | 2,277,877 |
| Loss for the year | – | – | – | – | – | – | (101,219) | (101,219) | (66,605) | (167,824) |
| Other comprehensive income/(loss) for the year | – | – | – | – | 230 | (6,285) | – | (6,055) | (14,398) | (20,453) |
| Total comprehensive income/(loss) for the year | – | – | – | – | 230 | (6,285) | (101,219) | (107,274) | (81,003) | (188,277) |
| Share options lapsed | – | – | (18,452) | – | – | – | 18,452 | – | – | – |
| At 31 December 2019 | 244,955 | 435,694 | – | (2,215) | 230 | 2,546 | 450,109 | 1,131,319 | 958,281 | 2,089,600 |

# Consolidated Statement of Cash Flows

*For the year ended 31 December 2019*

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/profit before tax | **(218,095)** | 476,642 |
| Adjustments for: | | |
| Amortisation of prepaid premium for land leases | **–** | 149 |
| Amortisation of intangible assets | **776** | 814 |
| Depreciation | **1,888** | 567 |
| Fair value loss/(gain) on investment properties | **167,227** | (503,575) |
| Interest income | **(956)** | (303) |
| Interest expenses | **4,651** | 2,290 |
| Gain on deregistration of a subsidiary | **–** | (35) |
| (Gain)/loss on disposal of property, plant and equipment | **(29)** | 10 |
| Fair value (gain)/loss on convertible bonds through profit or loss | **(4,044)** | 9,586 |
| Share of loss of an associate | **2,636** | – |
| Operating cash flows before working capital changes | **(45,946)** | (13,855) |
| Change in completed properties held for sale and properties for sale under development | **(162,159)** | (458,787) |
| Change in trade receivables | **343** | 1,846 |
| Change in other receivables, deposits and prepayments | **(49,049)** | 20,780 |
| Change in amount due from a director | **(761)** | 372 |
| Change in trade and other payables | **867,092** | 3,002 |
| Change in amounts due to directors | **(71)** | 24 |
| Change in amount due to a shareholder | **(113)** | (7) |
| Change in prepaid premium for land leases | **–** | 7,949 |
| Cash generated from/(used in) operations | **609,336** | (438,676) |
| Interest received | **956** | 303 |
| PRC tax paid | **(15,659)** | – |
| **Net cash flows generated from/(used in) operating activities** | **594,633** | (438,373) |

# Consolidated Statement of Cash Flows

*For the year ended 31 December 2019*

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(1,788)** | (2,537) |
| Proceeds from disposal of property, plant and equipment | **29** | – |
| Proceeds from disposal of investment properties | **–** | 15 |
| Additional costs on investment properties | **(224,343)** | (475,543) |
| Additional costs of prepaid premium for land leases | **–** | (113) |
| Investment in associates | **(33,945)** | – |
| **Net cash flows used in investing activities** | **(260,047)** | (478,178) |
| **Cash flows from financing activities** | | |
| Interest paid | **(68,983)** | (37,772) |
| New interest-bearing borrowings raised | **130,349** | 893,583 |
| Repayment of interest-bearing borrowings | **(363,159)** | (43,688) |
| Repayment of lease liabilities | **(632)** | – |
| Repayment of convertible bonds | **–** | (30,699) |
| Capital injection from non-controlling interest of a subsidiary | **–** | 121,376 |
| Proceed from open offer | **–** | 94,228 |
| Placing of shares | **–** | 18,961 |
| **Net cash flows (used in)/generated from financing activities** | **(302,425)** | 1,015,989 |
| **Net increase in cash and cash equivalents** | **32,161** | 99,438 |
| Effect of foreign exchange rate changes | **4,321** | 22,312 |
| Cash and cash equivalents at beginning of year | **127,652** | 5,902 |
| **Cash and cash equivalents at end of year** | **164,134** | 127,652 |
| **Analysis of cash and cash equivalents** | | |
| Bank and cash balances | **164,134** | 127,652 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 1. GENERAL INFORMATION

Grand Field Group Holdings Limited (the "Company") is a company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Unit 1004B, 10th Floor, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are investment holding, property development and property investment.

## 2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$101,219,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of approximately HK$730,839,000. Nevertheless, these consolidated financial statements have been prepared on a going concern basis. The Directors are of the opinion that taking into account of the expected sales of properties and financing arrangement after the reporting period it is appropriate to prepare the consolidated financial statements on a going concern basis.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

### HKFRS 16 "Leases"

The impact of the adoption of HKFRS 16 "Leases" ("HKFRS 16") on the Group's financial information and the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior years.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### HKFRS 16 "Leases" *(Continued)*

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

### *(a) Adjustments recognised on adoption of HKFRS 16*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7%.

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

As a lessee, the Group's leases are mainly rentals of offices. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The adjustments recognized are as follows:

| | **1 January 2019 HK$'000** |
|---|---|
| At 1 January 2019: | |
| Decrease in prepaid premium for land leases | **(5,268)** |
| Increase in right-of-use assets | **6,075** |
| Increase in lease liabilities | **807** |

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### HKFRS 16 "Leases" *(Continued)*

#### (b) The reconciliation of operating lease commitment to lease liabilities is set out below:

| | HK$'000 |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 843 |
| Discounting | (36) |
| Lease liabilities as at 1 January 2019 | 807 |
| Analyses as: | |
| Current | 599 |
| Non-current | 208 |
| | 807 |

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost basis except that certain properties are measured at fair values. These consolidated financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group ("Management") to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

## 4. SIGNIFICANT ACCOUNTING POLICIES

**Consolidation** *(Continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non– controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy "Impairment of assets" below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

### Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Associates** *(Continued)*

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

**Foreign currency translation**

***(a) Functional and presentation currency***

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation *(Continued)*

#### *(b) Transactions and balances in financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

#### *(c) Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

(iii) All resulting exchange differences are recognised in the exchange reserve.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation *(Continued)*

#### *(c) Translation on consolidation*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

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

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

| | |
|---|---|
| Land and buildings | 2.5% or over the lease term whichever is shorter |
| Furniture, fixtures and equipment | 20% |
| Leasehold improvement | 20-33.3% |
| Motor vehicles | 20% |

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

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

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

If a property held for sale becomes an investment property, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in profit or loss.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

### Leases

#### *The Group as lessee*

Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

| | |
|---|---|
| Land use rights | 2% |
| Land and buildings | 10% |

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Leases** *(Continued)*

***The Group as lessee*** *(Continued)*

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

***The Group as lessor***

*Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**Properties for sale under development**

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Intangible assets

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

Car park contracts are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

### Properties for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets of the Group are classified as financial assets at amortised cost***

*Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

### Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables or if the credit risk on that financial instrument has increased significantly since initial recognition.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Loss allowances for expected credit losses *(Continued)*

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand and demand deposits with banks and other financial institutions. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

### Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments. At the date of issue, the fair value of the convertible bonds is determined using an option pricing model and is measured at fair value with gains and losses recognised in profit or loss.

### Equity instruments

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

### Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

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

If a performance obligation is satisfied over time, revenue is recognised 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 product or service.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Other revenue

#### *(a) Rental income from operating leases*

Rental income, including rentals invoices in advance from properties under operating leases, is recognised on a straight-line basis over the term of the lease.

#### *(b) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

### Employee benefits

#### *(a) Employee leave entitlements*

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### *(b) Pension obligations*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits *(Continued)*

#### *(b) Pension obligations (Continued)*

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

#### *(c) Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

### Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Share-based payment transactions

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

### Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation *(Continued)*

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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 tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

A related party is a person or entity that is related to the Group.

(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 the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company 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 employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(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 the 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 Company or to a parent of the Company.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

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

### Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investment properties, completed properties held of sale, deferred tax assets and receivables 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 any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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 is remote. Possible obligations, whose existence 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 is remote.

### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statement.

#### *(a) Going concern*

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon taking into account of the expected sales of properties and financing arrangement after the reporting period. Details are explained in note 2 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

### Critical judgements in applying accounting policies *(Continued)*

#### *(b) Deferred taxation on investment properties*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors 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 determining the Group's deferred tax for investment properties, the directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

#### *(c) Consolidation of 深圳棕科置業有限公司(「深圳棕科」)*

The Group have 50% shareholding of 深圳棕科, in accordance with the Memorandum and Association of 深圳棕科, the Group shall appoint two of three of the board of directors of 深圳棕科. Therefore, the Directors determined that the Group have the control effectively by controlling the majority of the board of 深圳棕科 and holds 50% of the shareholding of 深圳棕科.

### Key sources of estimation uncertainty

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

#### *(a) Fair value of investment properties*

Investment properties are carried in the consolidated statement of financial position at 31 December 2019 at their fair value of approximately HK$3,361,304,000 (2018: HK$3,270,812,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

**Key sources of estimation uncertainty** *(Continued)*

***(b) Determination of net realisable value of land use rights, properties under development and completed properties for sale***

The Company assesses the carrying amounts of land use rights, properties under development and completed properties for sale according to their net realisable value based on the realisability of these properties. Net realisable value for land use rights and properties under development is determined by reference to management's estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties for sale is determined by reference to management's estimates of the selling price on prevailing market conditions, less applicable variable selling expenses.

***(c) Land Appreciation Taxes***

The Group is subject to Land Appreciation Taxes in the PRC. However, the implementation and settlement of these taxes varies among the various tax jurisdictions in cities and regions of the PRC, and the Group has not finalised its Land Appreciation Tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognised these Land Appreciation Taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

***(d) Property, plant and equipment and depreciation***

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

## 6. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade receivables, other receivables and deposits, amount due from a director, cash and cash equivalents, trade and other payables, interest-bearing borrowings, and amount(s) due to directors/a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including market risk (currency risk and interest rate risk), credit risk and liquidity risk. According to the Group's risk management policies and guidelines, the financial risk shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

### (a) Credit risk

The carrying amount of the cash and bank balances, trade receivables, loan and other receivables and amount due from a director included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

A quantitative disclosures in respect of the Group's exposure to credit risk arising trade receivables are set out in Notes 25 to the consolidated financial statements.

The Group is subject to the credit risk from the recoverability of loan and other receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk in relation to loan and other receivables is significantly reduced.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (a) Credit risk *(Continued)*

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

### (b) Liquidity risk

In the management of liquidity risk, the Directors monitor and maintain a level of bank balances deemed adequate to finance the Group's operations, investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations and from funds raising activities such as obtaining of new borrowings.

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

**At 31 December 2019**

| | Less than 1 year HK$'000 | 1-2 years HK$'000 | 2-5 years HK$'000 | Total contractual undiscounted cash flow HK$'000 | Carrying amounts HK$'000 |
|---|---|---|---|---|---|
| Trade and other payables | 249,962 | – | – | 249,962 | 249,962 |
| Interest-bearing borrowings | 623,995 | 65,281 | – | 689,276 | 655,727 |
| Convertible bonds | – | 119,059 | – | 119,059 | 108,046 |
| Amounts due to directors | 812 | – | – | 812 | 812 |
| | 874,769 | 184,340 | – | 1,059,109 | 1,014,547 |

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Liquidity risk *(Continued)*

At 31 December 2018

| | Less than 1 year HK$'000 | 1-2 years HK$'000 | 2-5 years HK$'000 | Total contractual undiscounted cash flow HK$'000 | Carrying amounts HK$'000 |
|---|---|---|---|---|---|
| Trade and other payables | 269,448 | – | – | 269,448 | 269,448 |
| Interest-bearing borrowings | 594,253 | 535,784 | – | 1,130,037 | 1,011,906 |
| Amounts due to directors | 883 | – | – | 883 | 883 |
| Amount due to a shareholder | 113 | – | – | 113 | 113 |
| | 864,697 | 535,784 | – | 1,400,481 | 1,282,350 |

### (c) Interest rate risk

The Group's interest-bearing bank deposits, interest-bearing borrowings and convertible bonds bear interest at fixed interest rate and therefore are subject to fair value interest rate risks. The interest rate and repayment terms of the interest-bearing borrowings and convertible bonds outstanding at the year end are disclosed in Note 32 and Note 36 to the consolidated financial statements respectively.

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances. Sensitivity of the Group's profit for the year to a reasonable change in the interest rate is assessed to be immaterial.

### (d) Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (e) Categories of financial instruments at 31 December

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Financial assets:** | | |
| Financial assets at amortised cost | | |
| (including cash and cash equivalents) | | |
| – Trade receivables | **1,945** | 2,288 |
| – Financial assets included in other receivables | | |
| and deposits | **45,798** | 46,232 |
| – Amount due from a director | **911** | 150 |
| – Cash and cash equivalents | **164,134** | 127,652 |
| | **212,788** | 176,322 |
| **Financial liabilities:** | | |
| Financial liabilities measured at amortised cost | | |
| – Financial liabilities included in trade | | |
| and other payables | **249,962** | 269,448 |
| – Interest-bearing borrowings | **655,727** | 1,011,906 |
| – Amounts due to directors | **812** | 883 |
| – Amount due to a shareholder | **–** | 113 |
| Financial liabilities at fair value through profit or loss | | |
| – Convertible bonds | **108,046** | – |
| | **1,014,547** | 1,282,350 |

### (f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2019 and 2018.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

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

## 7. FAIR VALUE MEASUREMENTS *(Continued)*

### (a) Disclosures of level in fair value hierarchy:

**As at 31 December 2019**

| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | 2019 HK$'000 |
|---|---|---|---|---|
| Recurring fair value measurements: | | | | |
| **Assets** | | | | |
| Investment properties | | | | |
| Completed – PRC | – | 313,882 | – | 313,882 |
| Investment properties under development – PRC | – | – | 3,047,422 | 3,047,422 |
| | – | 313,882 | 3,047,422 | 3,361,304 |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss – Convertible bonds | – | 108,046 | – | 108,046 |

As at 31 December 2018

| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | 2018 HK$'000 |
|---|---|---|---|---|
| Recurring fair value measurements: | | | | |
| **Assets** | | | | |
| Investment properties | | | | |
| Completed– PRC | – | 336,880 | – | 336,880 |
| Investment properties under development– PRC | – | – | 2,933,932 | 2,933,932 |
| | – | 336,880 | 2,933,932 | 3,270,812 |

## 7. FAIR VALUE MEASUREMENTS *(Continued)*

### (b) Reconciliation of assets measured at fair value based on level 3:

| | Investment properties under development HK$'000 |
|---|---|
| At 1 January 2018 | 1,950,371 |
| Additions | 628,884 |
| Fair value gain on investment properties under development (#) | 480,576 |
| Exchange differences | (125,899) |
| At 31 December 2018 | 2,933,932 |
| (#) Include gains or losses for assets held at the end of reporting period | 480,576 |
| At 1 January 2019 | 2,933,932 |
| Additions | 311,313 |
| Fair value loss on investment properties under development (#) | (151,771) |
| Exchange differences | (46,052) |
| At 31 December 2019 | 3,047,422 |
| (#) Include gains or losses for assets held at the end of reporting period | (151,771) |

The fair value gain/(loss) on investment properties under development are presented in other gains and losses in the consolidated income statement.

## 7. FAIR VALUE MEASUREMENTS *(Continued)*

**(c)** One of the Group's executive director is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The executive director reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the executive director and the Board of Directors at least twice a year.

***Level 2 fair value measurements***

| Description | Valuation technique | Inputs | Fair value 2019 HK$'000 | Fair value 2018 HK$'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment properties – completed – PRC | Market comparable approach | Price per square metre | **313,882** | 336,880 |
| **Liabilities** | | | | |
| Convertible bonds | Binomial model | Share price, Discount rate, Volatility, Conversion price | **108,046** | – |

***Level 3 fair value measurements***

| Description | Valuation technique | Unobservable inputs | Range | Effect on fair value for increase of inputs | Fair value 2019 HK$'000 | Fair value 2018 HK$'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Investment properties – under development – PRC | Residual value method | Price per square metre | **Commercial** RMB17,100 to RMB95,000<br>**Office** RMB45,000<br>**Serviced Office** Apartment RMB45,000 | Increase | **3,047,422** | 2,933,932 |

## 8. REVENUE

The principal activities of the Group are property development and property investment.

Revenue represents the aggregate of net amounts received and receivable from sales of properties by the Group to outside customers and property rental income for the years ended, and is analysed as follows:

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Revenue from contracts with customers - Sales of properties | **–** | 64,530 |
| Property rental income | **3,542** | 3,489 |
| Total revenue | **3,542** | 68,019 |

The major services are properties selling and the revenue is recognised at a point in time.

### Sales of properties

The Group develops and sells properties. Sales are recognised when control of the property has transferred, being when the customer obtains the physical possession or the legal title of the property and the Group has present right to payment and the collection of the consideration is probable.

Sales are normally made with credit terms of 30 days. Deposits are required. Deposits received are recognised as contract liabilities.

## 9. OTHER REVENUE AND OTHER GAINS AND LOSSES

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Other revenue** | | |
| Net foreign exchange gain | **12** | 36 |
| Sundry income | **55** | 135 |
| | **67** | 171 |
| **Other gains and losses** | | |
| Fair value (loss)/gain on investment properties | **(167,227)** | 503,575 |
| Gain/(loss) on disposal of property, plant and equipment | **29** | (10) |
| Reversal of impairment on other receivables | **148** | – |
| Gain on deregistration of a subsidiary | **64** | 35 |
| | **(166,986)** | 503,600 |

## 10. FINANCE COSTS

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest expenses on lease liabilities | **33** | – |
| Interest expenses on borrowings wholly repayable within five years | | |
| – Interest expenses on loans from third parties | **6,310** | 23,050 |
| – Interest expenses on loan from a shareholder | **–** | 600 |
| – Interest expenses on bank loan | **62,673** | 19,184 |
| Total finance costs | **69,016** | 42,834 |
| Amount capitalised | **(64,365)** | (40,544) |
| Finance costs expensed | **4,651** | 2,290 |

## 11. INCOME TAX (CREDIT)/EXPENSE

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current tax | | |
| Enterprise Income Tax in the PRC | **–** | 5,163 |
| Deferred tax | **(50,271)** | 118,757 |
| | **(50,271)** | 123,920 |

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 subsidiaries of the Company in the PRC is 25% for both years.

No provision for Hong Kong Profits Tax is required since the Group's taxable income neither arises, nor is derived, from Hong Kong in both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax and (loss)/profit before tax multiplied by the tax rate applicable to profits in the countries concerned is as follows:

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| (Loss)/profit before tax | **(218,095)** | 476,642 |
| Notional tax (credit)/expense on (loss)/profit before income tax, calculated at the rates applicable to profits in the countries concerned | **(53,850)** | 117,028 |
| Effect of different tax calculation basis for the PRC property development projects operated by the Hong Kong subsidiaries | **1** | (3,362) |
| Tax effect on non-deductible expenses | **667** | 6,945 |
| Tax effect on non-taxable income | **(3)** | (1) |
| Tax effect on tax losses not recognised | **2,914** | 3,310 |
| | **(50,271)** | 123,920 |

## 12. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Cost of sales | **721** | 14,856 |
| Amortisation of prepaid premium for land leases | **–** | 149 |
| Amortisation of intangible assets | **776** | 814 |
| Depreciation | **1,888** | 567 |
| Staff costs (including Directors' remuneration): | | |
| – salaries, bonuses and allowances | **9,190** | 8,568 |
| – retirement benefits scheme contributions | **665** | 390 |
| | **9,855** | 8,958 |
| Auditor's remuneration | **590** | 500 |
| Net foreign exchange loss | **–** | 3,229 |
| Operating lease charges on land and buildings | **–** | 773 |

## 13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

### (a) Directors' and chief executives' emoluments

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Directors' fees HK$'000 | Basic salaries and other benefits HK$'000 | Equity-settled share option arrangements HK$'000 | Contributions to defined contribution retirement plans HK$'000 | Total HK$'000 |
| **Executive directors** | | | | | |
| Mr. Ma Xuemian (Chairman) | 618 | 60 | – | – | 678 |
| Ms. Chow Kwai Wa, Charmaine | 400 | 42 | – | 18 | 460 |
| Ms. Kwok Siu Wa, Alison | 400 | 42 | – | 18 | 460 |
| Mr. Kwok Siu Bun | 400 | 42 | – | 18 | 460 |
| **Independent non-executive directors** | | | | | |
| Mr. Hui Pui Wai Kimber | 120 | – | – | – | 120 |
| Mr. Liu Chaodong | 120 | – | – | – | 120 |
| Mr. Wong Sze Lok | 120 | – | – | – | 120 |
| **Non-executive directors** | | | | | |
| Ms. Tsang Tsz Tung, Debbie (c) | 67 | – | – | – | 67 |
| | 2,245 | 186 | – | 54 | 2,485 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

### (a) Directors' and chief executives' emoluments *(Continued)*

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Directors' fees HK$'000 | Basic salaries and other benefits HK$'000 | Equity-settled share option arrangements HK$'000 | Contributions to defined contribution retirement plans HK$'000 | Total HK$'000 |
| **Executive directors** | | | | | |
| Mr. Ma Xuemian (Chairman) | 657 | 60 | – | – | 717 |
| Ms. Chow Kwai Wa, Charmaine | 467 | 42 | – | 18 | 527 |
| Ms. Kwok Siu Wa, Alison | 467 | 42 | – | 18 | 527 |
| Mr. Kwok Siu Bun | 467 | 42 | – | 18 | 527 |
| **Independent non-executive directors** | | | | | |
| Mr. Hui Pui Wai Kimber | 120 | – | – | – | 120 |
| Ms. Chui Wai Hung (a) | 64 | – | – | – | 64 |
| Mr. Liu Chaodong | 120 | – | – | – | 120 |
| Mr. Wong Sze Lok (b) | 57 | – | – | – | 57 |
| **Non-executive directors** | | | | | |
| Ms. Tsang Tsz Tung, Debbie (c) | 240 | – | – | – | 240 |
| | 2,659 | 186 | – | 54 | 2,899 |

a) Resigned on 12 July 2018

b) Appointed on 12 July 2018

c) Resigned on 12 April 2019

There was no chief executive appointed in the Group for both years.

There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration in respect of the years ended 31 December 2019 and 2018.

During the years ended 31 December 2019 and 2018, no emolument was paid by the Group to the directors and chief executives as an inducement to join or upon joining the Group, or as compensation for loss of office.

## 13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

### (b) Five highest paid individuals

The five highest paid individuals of the Group included two (2018: four) directors whose emoluments are included in the disclosures in Note 13(a) to the consolidated financial statements above.

The emoluments of the three (2018: one) individuals other than director of the Company was as follows:

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Salaries and allowances | **1,889** | 427 |
| Retirement scheme contributions | **36** | – |
| | **1,925** | 427 |

The emoluments of the three (2018: one) individuals with the highest emoluments are within the following bands:

| | **2019** **Number of individuals** | 2018 Number of individuals |
|---|---|---|
| Nil – HK$1,000,000 | **3** | 1 |

None of the directors and these highest paid employees waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 December 2019 and 2018.

## 14. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated based on the loss (2018: profit) for the year attributable to the owners of the Company of approximately HK$101,219,000 (2018: HK$193,255,000) and on the weighted average number of approximately 2,449,554,000 ordinary shares (2018: 1,942,474,000).

### Diluted (loss)/earnings per share

No diluted loss per share for the year ended 31 December 2019 are presented as the effects of all convertible notes and share options are anti-dilutive for the year.

The calculation of diluted earnings per share for the year ended 31 December 2018 is based on the profit for the year attributable to the owners of the Company of approximately HK$202,841,000 and on the weighted average number of approximately 2,450,042,000 ordinary shares, calculated as follows:

| | 2018<br>HK$'000 |
|---|---|
| **Earnings** | |
| Earnings for the purpose of calculating basic earnings per share | 193,255 |
| Fair value loss on conversion of convertible bonds through profit or loss | 9,586 |
| Earnings for the purpose of calculating diluted earnings per share | 202,841 |

| | 2018<br>'000 |
|---|---|
| **Number of shares** | |
| Weighted average number of ordinary shares | 1,942,474 |
| Effect of deemed issue of shares upon conversion of the convertible bonds | 507,568 |
| Weighted average number of ordinary shares (diluted) | 2,450,042 |

## 15. SEGMENT REPORTING

Information reported to the executive directors and senior management, being the chief operating decision maker, the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. Specifically, the Group's reportable operating segments under HKFRS 8 are: (i) property development and (ii) property investment.

### (a) Segment revenue and results

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

| | Property development | | Property investment | | Total | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Revenue** | | | | | | |
| External sales | **–** | 64,530 | **3,542** | 3,489 | **3,542** | 68,019 |
| Segment result | **–** | 49,674 | **(164,406)** | 507,064 | **(164,406)** | 556,738 |
| Interest revenue | | | | | **956** | 303 |
| Unallocated income and gains, net | | | | | **67** | 171 |
| Unallocated expenses | | | | | **(51,469)** | (68,694) |
| (Loss)/profit from operations | | | | | **(214,852)** | 488,518 |
| Finance costs | | | | | **(4,651)** | (2,290) |
| Share of loss of an associate | | | | | **(2,636)** | – |
| Fair value gain/(loss) on convertible bonds through profit or loss | | | | | **4,044** | (9,586) |
| (Loss)/profit before tax | | | | | **(218,095)** | 476,642 |
| Income tax credit/(expense) | | | | | **50,271** | (123,920) |
| (Loss)/profit for the year | | | | | **(167,824)** | 352,722 |

## 15. SEGMENT REPORTING *(Continued)*

### (a) Segment revenue and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned/(loss incurred) from each segment without allocation of certain items, mainly comprising interest revenue, gain/(loss) on disposal of property, plant and equipment, depreciation, central administration costs, directors' and chief executives' salaries, finance costs and fair value (loss)/gain on convertible bonds through profit or loss. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

### (b) Segment assets and liabilities

| | Property development | | Property investment | | Total | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Segment assets | **834,360** | 643,558 | **3,361,304** | 3,270,812 | **4,195,664** | 3,914,370 |
| Unallocated assets | | | | | **386,552** | 246,768 |
| | | | | | **4,582,216** | 4,161,138 |
| Segment liabilities | **(937,201)** | (5,149) | **(507,160)** | (565,311) | **(1,444,361)** | (570,460) |
| Unallocated liabilities | | | | | **(1,048,255)** | (1,312,801) |
| | | | | | **(2,492,616)** | (1,883,261) |

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

– all assets are allocated to operating segments other than unallocated assets (mainly comprising property, plant and equipment, other receivables, deposits and prepayments, amount due from a director and cash and cash equivalents); and

– all liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising certain trade and other payables, interest-bearing borrowings, lease liabilities, amount(s) due to directors and a shareholder).

## 15. SEGMENT REPORTING *(Continued)*

### (c) Other segment information

| | Property development | | Property investment | | Total | |
|---|---|---|---|---|---|---|
| | **2019 HK$'000** | 2018 HK$'000 | **2019 HK$'000** | 2018 HK$'000 | **2019 HK$'000** | 2018 HK$'000 |
| **Amounts included in the measure of segment profit or loss or segment assets:** | | | | | | |
| Amortisation of prepaid premium for land leases | **–** | (149) | **–** | – | **–** | (149) |
| Fair value (loss)/gain on investment properties | **–** | – | **(167,227)** | 503,575 | **(167,227)** | 503,575 |
| Gain/(Loss) on disposal of property, plants and equipment | **29** | (10) | **–** | – | **29** | (10) |
| Capital expenditures | **–** | 113 | **277,176** | 644,873 | **277,176** | 644,986 |

### (d) Geographic information

Since the Group principally operates in the PRC with revenue and results derived mainly from its operations in the PRC and assets are located in the PRC, no geographical information is used by the chief operating decision maker for further evaluated.

### (e) Information about major customer

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| **Sales of properties** | | |
| Customer A | **–** | 61,423 |
| **Property investment** | | |
| Customer B | **1,412** | 1,481# |
| Customer C | **643** | 658# |
| | **2,055** | 2,139 |

# Revenue from these customers did not exceed 10% of total revenue in the respective years. These amount were shown for comparative purpose.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 16. DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the Year (2018: nil). No interim dividend was declared for the six months ended 30 June 2019 (2018: nil).

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Furniture, fixtures and office equipment | Leasehold improvement | Motor vehicles | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Cost:** | | | | | |
| At 1 January 2018 | 14,573 | 2,462 | 3,460 | 1,468 | 21,963 |
| Additions | – | 269 | – | 2,268 | 2,537 |
| Disposals | – | – | – | (506) | (506) |
| Exchange differences | (799) | (68) | (157) | (83) | (1,107) |
| At 31 December 2018 and 1 January 2019 | 13,774 | 2,663 | 3,303 | 3,147 | 22,887 |
| Additions | – | 148 | – | 1,640 | 1,788 |
| Transfer from investment property | 2,706 | – | – | – | 2,706 |
| Disposals | – | – | – | (823) | (823) |
| Exchange differences | (245) | (19) | (42) | (39) | (345) |
| **At 31 December 2019** | **16,235** | **2,792** | **3,261** | **3,925** | **26,213** |
| **Accumulated depreciation:** | | | | | |
| At 1 January 2018 | 232 | 2,227 | 3,357 | 1,315 | 7,131 |
| Charge for the year | 363 | 89 | 26 | 89 | 567 |
| Disposals | – | – | – | (481) | (481) |
| Exchange differences | (46) | (49) | (157) | (44) | (296) |
| At 31 December 2018 and 1 January 2019 | 549 | 2,267 | 3,226 | 879 | 6,921 |
| Charge for the year | 455 | 133 | 26 | 525 | 1,139 |
| Disposals | – | – | – | (823) | (823) |
| Exchange differences | (18) | (14) | (42) | (12) | (86) |
| **At 31 December 2019** | **986** | **2,386** | **3,210** | **569** | **7,151** |
| **Carrying amount:** | | | | | |
| **At 31 December 2019** | **15,249** | **406** | **51** | **3,356** | **19,062** |
| At 31 December 2018 | 13,225 | 396 | 77 | 2,268 | 15,966 |

## 18. INVESTMENT PROPERTIES

| | Under development HK$'000 | Completed HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Fair value** | | | |
| At 1 January 2018 | 1,950,371 | 315,862 | 2,266,233 |
| Additions | 628,884 | 15,989 | 644,873 |
| Fair value gain on investment properties | 480,576 | 22,999 | 503,575 |
| Exchange differences | (125,899) | (17,970) | (143,869) |
| At 31 December 2018 and 1 January 2019 | 2,933,932 | 336,880 | 3,270,812 |
| Additions | 311,313 | – | 311,313 |
| Transfer to property, plant and equipment | – | (2,706) | (2,706) |
| Fair value loss on investment properties | (151,771) | (15,456) | (167,227) |
| Exchange differences | (46,052) | (4,836) | (50,888) |
| At 31 December 2019 | 3,047,422 | 313,882 | 3,361,304 |

The fair value of the Group's investment properties at 31 December 2019 has been arrived at on the basis of a valuation carried out on that date by Ravia Global Appraisal Advisory Limited (2018: Ravia Global Appraisal Advisory Limited), an independent qualified professional valuers not connected with the Group. Ravia Global Appraisal Advisory Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's investment properties have been valued by using market comparison and residual value approach, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties.

At 31 December 2019, certain completed investment properties with the fair value of approximately HK$231,443,000 (2018: HK$nil) were pledged to secure for the interest-bearing borrowings.

## 19. PREPAID PREMIUM FOR LAND LEASES

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Cost** | | |
| At 1 January | **10,684** | 19,321 |
| Addition | **–** | 113 |
| Transfer to right-of-use assets | **(10,684)** | – |
| Disposal | **–** | (8,349) |
| Exchange differences | **–** | (401) |
| At 31 December | **–** | 10,684 |
| **Accumulated amortisation and impairment** | | |
| At 1 January | **5,416** | 5,694 |
| Charge for the year | **–** | 149 |
| Transfer to right-of-use assets | **(5,416)** | – |
| Disposal | **–** | (400) |
| Exchange differences | **–** | (27) |
| At 31 December | **–** | 5,416 |
| **Carrying values** | | |
| At 31 December | **–** | 5,268 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 20. INTANGIBLE ASSET

| | Car Park Contracts HK$'000 |
|---|---|
| **Cost** | |
| At 1 January 2018 | 16,448 |
| Exchange differences | (882) |
| At 31 December 2018 and 1 January 2019 | 15,566 |
| Exchange differences | (234) |
| At 31 December 2019 | 15,332 |
| **Accumulated amortisation** | |
| At 1 January 2018 | 822 |
| Amortisation for the year | 814 |
| Exchange differences | (79) |
| At 31 December 2018 and 1 January 2019 | 1,557 |
| Amortisation for the year | 776 |
| Exchange differences | (33) |
| At 31 December 2019 | 2,300 |
| **Carrying amount** | |
| At 31 December 2019 | 13,032 |
| At 31 December 2018 | 14,009 |

The intangible asset represents car park contract acquired in a business combination.

Car park contract is stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

## 21. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to the cash-generating unit ("CGU") of the Group's property development operation. The carrying amount of goodwill as at 31 December 2019 allocated to this unit is as follows:

| | Property development HK$'000 |
|---|---|
| **Cost** | |
| As at 1 January 2018, 31 December 2018 and 31 December 2019 | 36,773 |
| **Accumulated impairment losses** | |
| As at 1 January 2018, 31 December 2018 and 31 December 2019 | – |
| **Carrying amount** | |
| As at 31 December 2018 and 31 December 2019 | 36,773 |

The bases of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

### Property development

The recoverable amount of the CGU has been determined from value-in-use calculation. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next year.

The rate used to discount the forecast cash flows from the Group's property development operation is 20%.

The key basis and assumption used to determine the value assigned to the growth in revenue and the budgeted gross margins are the management's expectation of market development and future performance of the CGU and the discount rate used reflects specific risks relating to the industries in relation to the CGU.

## 22. LEASES AND RIGHT-OF-USE ASSETS

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| **At 31 December:** | | |
| Right-of-use assets | | |
| – Land use rights | **5,136** | – |
| – Land and buildings | **202** | – |
| | **5,338** | – |
| Lease commitments of short-term leases | **1,625** | – |
| The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows: | | |
| – Less than 1 year | **211** | – |
| | **211** | – |
| Depreciation charge of right-of-use assets | | |
| – Land use rights | **144** | – |
| – Land and buildings | **605** | – |
| | **749** | – |
| Lease interests | **33** | – |
| Total cash outflow for leases | **632** | – |

## 23. INVESTMENT IN AN ASSOCIATE

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| **Unlisted investments:** | | |
| Share of net assets | **30,922** | – |

The following table shows information of associate that are material to the Group. This associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

## 23. INVESTMENT IN AN ASSOCIATE *(Continued)*

| | |
|---|---|
| Name | **浙江北深文旅發展有限公司** |
| Principal place of business/country of incorporation | **PRC/PRC** |
| Principal activities | **Tourism services development** |
| % of ownership interests/voting rights held by NCI | **34%/34%** |
| | **HK$'000** |
| **At 31 December 2019:** | |
| Non-current assets | **82,500** |
| Current assets | **18,713** |
| Current liabilities | **(12,865)** |
| Net assets | **88,348** |
| Group's share of net assets and carrying amount of interests | **30,922** |
| **Period ended 31 December 2019 (from 26 February 2019 (date of incorporation)):** | |
| Revenue | **–** |
| Loss | **(7,531)** |
| Other comprehensive income | **93** |
| Total comprehensive income | **(7,438)** |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 24. SUBSIDIARIES

Details of the Group's major subsidiaries as at 31 December 2019 are as follows:

| Name of subsidiary | Place/country of incorporation (or establishment)/ operations | Particulars of issued and paid-up capital/ registered capital | Proportion of ownership interest 2018 | Proportion of ownership interest 2017 | Principal activities |
|---|---|---|---|---|---|
| **Directly held by the Company:** | | | | | |
| Grand Field Group Holdings (BVI) Limited | British Virgin Islands/ Hong Kong | US$1 | 100% | 100% | Investment holding |
| Grand Field Group Investments (BVI) Limited | British Virgin Islands/ Hong Kong | US$1 | 100% | 100% | Investment holding |
| Surplus Full Development Limited | British Virgin Islands Hong Kong | US$1 | 100% | 100% | Investment holding |
| **Indirectly held through subsidiaries:** | | | | | |
| Grand Field Group Limited | Hong Kong/Hong Kong | Ordinary shares of HK$200 and non-voting deferred shares of HK$200 | 100% | 100% | Investment holding and property investment |
| Grand Field Property Development (Shenzhen) Company Limited (Note (i)) | PRC/PRC | HK$18,143,491 | 100% | 100% | Property development and property investment |
| Ka Fong Industrial Company Limited | Hong Kong/PRC | Ordinary shares of HK$200 and non-voting deferred shares of HK$200,000 | 100% | 100% | Property development and property investment |

## 24. SUBSIDIARIES *(Continued)*

| Name of subsidiary | Place/country of incorporation (or establishment)/ operations | Particulars of issued and paid-up capital/ registered capital | Proportion of ownership interest 2018 | Proportion of ownership interest 2017 | Principal activities |
|---|---|---|---|---|---|
| Shing Fat Hong Limited | Hong Kong/PRC | Ordinary shares of HK$4 and non-voting deferred shares of HK$2 | 100% | 100% | Property development and property investment |
| 深圳棕科 (Note (ii)) | PRC/PRC | RMB352,903,193 | 50% | 50% | Property development and property investment |
| 濠康國際供應鏈(深圳)有限公司 (Note (i)) | PRC/PRC | RMB4,023,500 | 100% | 100% | Investment holding |
| G & H International Holding Limited | Hong Kong/Hong Kong | HK$2,000,000 | 60% | 60% | Trading of foods and investment holding |
| 鈞濠酒店管理(深圳)有限公司 (Note (ii)) | PRC/PRC | RMB6,000,000 | 60% | 60% | Investment holding |
| Intra Asia Limited | British Virgin Islands/ Hong Kong | US$1 | 100% | 100% | Investment holding |
| Golden State (HK) Limited | Hong Kong/Hong Kong | HK$10,000 | 100% | 100% | Investment holding |
| 徐州國金房地產開發有限公司 (Note (i)) | PRC/PRC | HK$70,000,000 | 100% | 100% | Property development and property investment |
| 深圳市合生壹联貿易有限公司 (Note (i)) | PRC/PRC | RMB20,000,000 | 100% | 100% | Financial arrangement |

Note:

(i) The subsidiary is a wholly foreign-owned enterprise incorporated in the PRC.

(ii) The subsidiary is a sino-foreign equity joint venture incorporated in the PRC.

The following table shows information of a subsidiary that has non-controlling interests ("NCI") and is considered material to the Group. The summarised financial information represents amounts before inter-company eliminations.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 24. SUBSIDIARIES *(Continued)*

| **Name of subsidiary** | 深圳棕科 | |
|---|---|---|
| | **2019** | 2018 |
| Principal place of business/country of incorporation | **PRC/PRC** | PRC/PRC |
| % of ownership interests/voting rights held by NCI | **50%/50%** | 50%/50% |
| | **HK$'000** | HK$'000 |
| **At 31 December:** | | |
| Non-current assets | **3,074,621** | 2,952,072 |
| Current assets | **981,601** | 708,696 |
| Current liabilities | **(1,685,064)** | (676,789) |
| Non-current liabilities | **(461,250)** | (1,011,341) |
| Net assets | **1,909,908** | 1,972,638 |
| Accumulated NCI | **960,665** | 1,041,663 |
| **Year ended 31 December:** | | |
| Revenue | **–** | – |
| (Loss)/profit | **(133,200)** | 318,970 |
| Total comprehensive (loss)/income | **(161,996)** | 216,592 |
| (Loss)/profit allocated to NCI | **(66,600)** | 159,485 |
| Net cash generated from/(used in) operating activities | **626,281** | (428,378) |
| Net cash used in investing activities | **(258,288)** | (474,556) |
| Net cash (used in)/generated from financing activities | **(337,302)** | 1,000,680 |
| Net increase in cash and cash equivalents | **30,691** | 97,746 |

As at 31 December 2019, the bank and cash balances of the Group' subsidiaries in the PRC denominated in Renminbi ("RMB") amounted to HK$145,998,000 (2018: HK$61,449,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

## 25. TRADE RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **1,945** | 2,288 |

Trade receivables are mainly arisen from sales of properties. Proceeds in respect of properties sold is to be received in accordance with the terms of the related sales and purchase agreements.

An aged analysis of trade receivables is as follows:

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 90 days | **1,945** | 2,288 |

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

## 26. PROPERTIES FOR SALE UNDER DEVELOPMENT

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Properties development project | **781,199** | 592,595 |

The properties for sale under development are located in the PRC.

## 27. PROPERTIES FOR SALE

At 31 December 2018, certain properties for sale with the carrying amounts of approximately HK$4,426,000 were pledged to secure for the interest-bearing borrowings). (Note 32).

All of the properties for sale are situated in the PRC, are carried at lower of cost and net realisable value.

At 31 December 2019, certain properties for sale with the carrying amounts of approximately HK$15,400,000 (2018: HK$15,644,000) which are not expected to be realised within the next twelve months.

## 28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Other receivables | **27,263** | 24,040 |
| Other tax prepaid | **16,461** | – |
| Amounts due from a shareholder (Note) | **18,317** | 21,973 |
| Deposit | **218** | 219 |
| Prepayments | **36,179** | 3,157 |
| | **98,438** | 49,389 |

Note:

The amount due from a shareholder is unsecured, interest-free and has no fixed repayment terms.

## 29. AMOUNT DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to the Hong Kong Companies Ordinance is as follows:

### The Group

| Name | Terms | 2019<br>HK$'000 | 2018<br>HK$'000 | Maximum amount outstanding during the year<br>HK$'000 |
|---|---|---|---|---|
| Mr. Ma Xuemian (Chairman) | Unsecured, interest free and repayable on demand | **911** | 150 | 911 |

At 31 December 2019 and 2018, amount due from a director is unsecured, interest free and repayable on demand.

## 30. CASH AND CASH EQUIVALENTS

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Cash and cash equivalents | **164,134** | 127,652 |

(a) Cash at bank earns interest at floating rates based on daily bank deposit rates.

(b) Included in bank balances of the Group is approximately HK$163,153,000 (2018: HK$123,895,000) of bank balances denominated in RMB placed with banks in PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 31. TRADE AND OTHER PAYABLES

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Trade payables to building contractors | **2,383** | 1,733 |
| Accruals of cost for contract works | **187,740** | 149,618 |
| Deferred income | **23,702** | 25,479 |
| Accrued salaries and other operating expenses | **12,598** | 14,555 |
| Accrued interest expense | **11,250** | 10,914 |
| Contract liabilities | **941,943** | 4,988 |
| Rental deposits received from investment properties | **34** | 34 |
| Amounts payable on return of properties | **5,704** | 5,791 |
| Other payables | **30,253** | 86,803 |
| | **1,215,607** | 299,915 |

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

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Within 360 days past due | **995** | 503 |
| Over 360 days past due | **1,388** | 1,230 |
| | **2,383** | 1,733 |

The contract liabilities represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The contract liabilities of the Group are expected to transfer to revenue within the next twelve months.

## 32. INTEREST-BEARING BORROWINGS

| | 2019 | 2018 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Loans from independent third parties payable within one year | | |
| – secured (Note (i)) | 4,448 | 4,824 |
| – unsecured (Note (ii)) | 56,632 | 174,580 |
| | 61,080 | 179,404 |
| Loan from a shareholder payable within one year | | |
| – unsecured (Note (iii)) | – | 112,320 |
| Secured bank loan payable (Note (iv)) | | |
| – within one year | 538,772 | 215,170 |
| – in the second to fifth years inclusive | 55,875 | 505,012 |
| | 655,727 | 1,011,906 |

(i) At 31 December 2019, loan with principal amounts of RMB4,020,000 from an independent third parties are guaranteed by a wholly owned subsidiary of the Group. Interest is charged at 15% per annum and repayable within 1 year from the drawdown date in the year 2019.

At 31 December 2018, loan with principal amounts of RMB4,020,000 from an independent third parties are secured by the properties held for sale of the Group's wholly owned subsidiary and personal guarantee by a director respectively. Interest is charged at 1.5% per month and repayable within 1 year from the drawdown date in the year 2018.

(ii) The unsecured borrowings bear interest at 10% to 25% per annum (2018: 10% to 25% per annum).

(iii) At 31 December 2018, loan with principal amount of HK$112,320,000 is carry forward from the outstanding principal amount of the convertible bonds which is unsecured, bearing an annual interest rate of 3%.

## 32. INTEREST-BEARING BORROWINGS *(Continued)*

(iv) At 31 December 2019 and 2018, loans from bank which is bearing interest rate at 6.09% to 7% per annum with fixed repayment terms. The interest expenses are calculated using the effective interest method by applying the effective rate at 8.8% per annum. The loan was secured by:

a) a piece of land situated in Shenzhen owned by Shenzhen Zongke Real Estate Co., Limited ("Shenzhen Zongke");

b) 50% of the share capital of Shenzhen Zongke owned by the Group;

c) 49.5% of the share capital of Shenzhen Zongke owned by a non-controling interests shareholder; and;

d) unlimited personal guarantees (the "Personal Guarantees") from Mr. Tsang Wai Lun Wayland and Ms. Kwok Wai Man Nancy (the "Personal Guarantors"), who are the parents of Mr. Tsang Yee (a substantial shareholder of the Company), Ms. Tsang Tsz Tung Debbie (a former non-executive director of the Company) and Ms. Tsang Tsz Nok Aleen (a substantial shareholder of the Company). In respect of the Personal Guarantees, the Company has provided counter guarantee to the Personal Guarantors up to 50% of the obligations of the said bank loan.

e) investment properties of the Group's wholly owned subsidiary and personal guarantee by a staff.

Interest-bearing borrowings amounted to HK$655,727,000 (2018: HK$899,586,000) and HK$nil (2018: HK$112,320,000) are denominated in RMB and HKD respectively.

## 33. LEASE LIABILITIES

| | Lease payments | | Present value of lease payments | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within one year | **211** | – | **208** | – |
| | **211** | – | **208** | – |
| Less: future finance charges | **(3)** | – | **N/A** | N/A |
| Present value of lease obligation | **208** | – | **208** | – |
| Less: amount due for settlement within 12 months (shown under current liabilities) | | | **(208)** | – |
| Amount due for settlement after 12 months | | | **–** | – |

At 31 December 2019, the average effective borrowing rate was 7%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 34. AMOUNTS DUE TO DIRECTORS/A SHAREHOLDER

At 31 December 2019 and 2018, amounts due to directors/a shareholder are unsecured, interest free and repayable on demand.

## 35. DEFERRED TAX

The components of deferred tax recognised in the consolidated statement of financial position and the movements during the year are as follows:

| | Tax losses | Intangible asset | Properties under development | Revaluation of investment properties | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2018 | (11,150) | 3,907 | 26 | 466,485 | 459,268 |
| Charge to profit or loss for the year | (6,933) | (204) | – | 125,894 | 118,757 |
| Exchange differences | 904 | (201) | (1) | (30,595) | (29,893) |
| At 31 December 2018 and 1 January 2019 | (17,179) | 3,502 | 25 | 561,784 | 548,132 |
| Credit to profit or loss for the year | (8,270) | (194) | – | (41,807) | (50,271) |
| Exchange differences | 360 | (50) | – | (16,100) | (15,790) |
| At 31 December 2019 | (25,089) | 3,258 | 25 | 503,877 | 482,071 |

## 35. DEFERRED TAX *(Continued)*

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Deferred tax liabilities | **507,160** | 565,311 |
| Deferred tax assets | **(25,089)** | (17,179) |
| | **482,071** | 548,132 |

At the end of the reporting period, the Group has unused tax losses of approximately HK$101,123,000 (2018: HK$71,887,000) available for offset against future profits. The unrecognised tax losses will expire during 2020 to 2024 (2018: 2019 to 2023).

## 36. CONVERTIBLE BONDS

On 22 February 2019, the Company issued convertible bonds with principal amount of HK$112,320,000 (the "Convertible Bonds") to settle the outstanding loan balance of HK$112,320,000 owing by the Group to Mr. Tsang Wai Lun Wayland and Ms. Tsang Tsz Nok Aleen. The Convertible Bonds are denominated in HK$, carry interest rate of 3% per annum and will be matured on 21 February 2021. The conversion price of the Convertible Bonds is at HK$0.123 per ordinary share of the Company and a total of 913,170,731 new ordinary shares of the Company will be issued upon conversion of the Convertible Bonds.

For details of information, please refer to the announcements of the Company dated 16 November 2018, 22 January 2019 and 22 February 2019.

The Convertible Bonds are measured as financial liabilities at fair value through profit or loss. The Convertible Bonds are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

## 36. CONVERTIBLE BONDS *(Continued)*

The movements of the Convertible Bonds during the year ended 31 December 2019 are as follows:

| | HK$'000 |
|---|---|
| At inception date | 112,320 |
| Fair value gain on Convertible Bonds through profit or loss | (4,044) |
| Fair value gain on financial liabilities designated at fair value through profit or loss attributable to change in credit risk | (230) |
| Fair value of Convertible Bonds as at 31 December 2019 | 108,046 |

The amount of change in the fair value of the financial liability that was attributable to changes in the credit risk of that liability are recognised in other comprehensive income.

## 37. SHARE CAPITAL

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Authorised: | | |
| 5,000,000,000 Ordinary shares of HK$0.1 each (2018: 5,000,000,000 Ordinary shares of HK$0.1 each) | **500,000** | 500,000 |
| Issued and fully paid: | | |
| 2,449,554,132 Ordinary shares of HK$0.1 each (2018: 2,449,554,132 Ordinary shares of HK$0.1 each) | **244,955** | 244,955 |

## 37. SHARE CAPITAL *(Continued)*

A summary of the movements in the issued share capital of the Company is as follows:

| | Number of shares '000 | Amount HK$'000 |
|---|---|---|
| At 1 January 2018 | 1,519,046 | 151,905 |
| Placing of shares (Note (i)) | 113,990 | 11,399 |
| Open offer (Note (ii)) | 816,518 | 81,651 |
| As at 31 December 2018 and 2019 | 2,449,554 | 244,955 |

Notes:

(i) Placing of shares

On 13 March 2018, the Company issued and allotted 113,990,000 ordinary shares of HK$0.1 each to the subscribers at a price of HK$0.170 per share. The premium on the issue of shares amounting to approximately HK$7,562,000, after net of share issue expenses of approximately HK$417,000, were credited to the Company's share premium account.

(ii) Open offer

Completion of the open offer took place on 13 August 2018 pursuant to which 816,518,044 offer shares were issued under the open offer on the basis of one offer share for every two shares held by the qualifying shareholders at the subscription price of HK$0.12 per offer share with par value of HK$0.10 each. Accordingly, the Company's issued share capital was increased by approximately HK$81,651,000 and its share premium account was increased by approximately HK$12,577,000, net of the transaction costs related to the open offer by approximately HK$3,754,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2019*

## 38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Change in liabilities arising from financing activities

The following table shows the Group changes in liabilities arising from financing activities during the year:

| | Convertible bonds | Borrowings | Lease liabilities | Total |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2018 | 133,433 | 48,420 | – | 181,853 |
| Changes in cash flows: | (30,699) | 812,123 | – | 781,424 |
| Non-cash changes | | | | |
| – transferred to borrowings | (112,320) | – | – | (112,320) |
| – transferred from convertible bonds | – | 112,320 | – | 112,320 |
| – effect of foreign exchange rate changes | – | 1,271 | – | 1,271 |
| – interest paid/payables | – | 37,772 | – | 37,772 |
| Fair value gain on convertible bonds through profit or loss | 9,586 | – | – | 9,586 |
| At 31 December 2018 and 1 January 2019 | – | 1,011,906 | – | 1,011,906 |
| Changes in cash flows | – | (301,793) | (632) | (302,425) |
| Non-cash changes | – | | | |
| –transferred from borrowings | 112,320 | – | – | 112,320 |
| –transferred to convertible bonds | – | (112,320) | – | (112,320) |
| –adjustments recognised on adoption of HKFRS 16 | – | – | 807 | 807 |
| –effect of foreign exchange rate changes | – | (11,049) | – | (11,049) |
| –interest paid/payables | – | 68,983 | 33 | 69,016 |
| Fair value loss on convertible bonds through other comprehensive income | (230) | – | – | (230) |
| Fair value loss on convertible bonds through profit or loss | (4,044) | – | – | (4,044) |
| At 31 December 2019 | 108,046 | 655,727 | 208 | 763,981 |

## 39. FINANCIAL INFORMATION OF THE COMPANY

### Statement of financial position

| | Notes | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | | **159,056** | 159,056 |
| **Current assets** | | | |
| Other receivables, deposits and prepayments | | **1,170** | 957 |
| Amount due from subsidiaries | (1) | **465,805** | 478,050 |
| Cash and cash equivalents | | **526** | 1,337 |
| | | **467,501** | 480,344 |
| **Current liabilities** | | | |
| Other payables | | **7,713** | 9,803 |
| Interest-bearing borrowings | | **–** | 112,320 |
| Convertible bonds | | **108,046** | – |
| Amounts due to directors | (1) | **352** | 416 |
| Amounts due to subsidiaries | (1) | **66,210** | 66,687 |
| | | **182,321** | 189,226 |
| **Net current assets** | | **285,180** | 291,118 |
| **Total assets less current liabilities** | | **444,236** | 450,174 |
| **NET ASSETS** | | **444,236** | 450,174 |
| **Capital and reserves** | | | |
| Share capital | | **244,955** | 244,955 |
| Reserves | (2) | **199,281** | 205,219 |
| **TOTAL EQUITY** | | **444,236** | 450,174 |

## 39. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Notes:

(1) the amounts due are unsecured, interest-free and repayable on demand.

(2) the movements of the Company's reserves are as follows:

**Movement of reserves**

| | Share premium | Share option reserve | Capital reserve | Contributed surplus | Accumulated losses | Total |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2018 | 415,555 | 19,007 | – | 140,281 | (368,997) | 205,846 |
| Loss and total comprehensive loss for the year | – | – | – | – | (20,766) | (20,766) |
| Placing of shares | 7,562 | – | – | – | – | 7,562 |
| Share options lapsed | – | (555) | – | – | 555 | – |
| Open offer | 12,577 | – | – | – | – | 12,577 |
| At 31 December 2018 and 1 January 2019 | 435,694 | 18,452 | – | 140,281 | (389,208) | 205,219 |
| Loss and total comprehensive loss for the year | – | – | 230 | – | (6,168) | (5,938) |
| Share options lapsed At 31 December 2019 | – | (18,452) | – | – | 18,452 | – |
| | 435,694 | – | 230 | 140,281 | (376,924) | 199,281 |

## 39. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

### Nature and purpose of reserves

#### *(i) Share premium*

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

#### *(ii) Share option reserve*

The share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 4 to the consolidated financial statements.

#### *(iii) Contributed surplus*

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

## 39. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

### Nature and purpose of reserves *(Continued)*

#### *(iii) Contributed surplus (Continued)*

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

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

#### (iv) Special reserve

Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the Group reorganisation in 1999 for the listing of the Company's shares on the Stock Exchange.

#### (v) Distributability of reserves

At the end of the reporting period, the Company did not have any reserves available for cash/in specie dividend distribution to owners of the Company.

## 40. CAPITAL MANAGEMENT

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity.

## 40. CAPITAL MANAGEMENT *(Continued)*

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

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Total liabilities | **2,492,616** | 1,883,261 |
| Less: Cash and cash equivalents | **(164,134)** | (127,652) |
| Net debt | **2,328,482** | 1,755,609 |
| Total equity and adjusted capital | **1,131,319** | 1,238,593 |
| Gearing ratio | **206%** | 142% |

## 41. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 21 June 2016, the Company adopted a new share option scheme (the "New Share Option Scheme"), pursuant to which the Board may, at its discretion, grant option to (i) any directors, employees, consultants or advisers, business associates and (ii) any other periods, who, at the sole discretion of the Board, has contributed to the Group subject to the assessment criteria. The subscription price for the shares of the Company under the New Share Option Scheme shall be a price solely determined by the Board and notified to a subscriber and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately proceeding the offer date; and (iii) the nominal value of the shares on the date of grant.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. At the time of adoption by the Company of the New Share Option Scheme or any new share option scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the scheme, and the new scheme and all schemes existing at such time of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the New Share Option Scheme.

The Company, by ordinary resolution in general meeting, or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further option will be offered or granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

## 41. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options in issue under Share Option Scheme during the years ended 31 December 2019 and 2018:

| Category of participant | Date of grant | Exercise period | Exercise price | Number of share options: Outstanding at 1 January 2019 | Lapsed during the year | Outstanding at 31 December 2019 |
|---|---|---|---|---|---|---|
| Directors | 16 November 2016 | 16 November 2016 to 15 November 2019 | **0.25** | **13,198,164** | **(13,198,164)** | **–** |
| Employee | 16 November 2016 | 16 November 2016 to 15 November 2019 | **0.25** | **83,365,618** | **(83,365,618)** | **–** |
| Directors | 6 May 2016 | 6 May 2016 to 5 May 2019 | **0.356** | **43,907,190** | **(43,907,190)** | **–** |
| Employee | 6 May 2016 | 6 May 2016 to 5 May 2019 | **0.356** | **46,563,563** | **(46,563,563)** | **–** |
| Total | | | | **187,034,535** | **(187,034,535)** | **–** |

| Category of participant | Date of grant | Exercise period | Exercise price | Number of share options: Outstanding at 1 January 2018 | Lapsed during the year | Adjusted on 14 August 2018 | Outstanding at 31 December 2018 |
|---|---|---|---|---|---|---|---|
| Directors | 16 November 2016 | 16 November 2016 to 15 November 2019 | 0.255 | 13,955,678 | (1,018,717) | 261,203 | 13,198,164 |
| Employee | 16 November 2016 | 16 November 2016 to 15 November 2019 | 0.255 | 82,833,967 | (1,000,000) | 1,531,651 | 83,365,618 |
| Directors | 6 May 2016 | 6 May 2016 to 5 May 2019 | 0.363 | 45,881,173 | (2,832,722) | 858,739 | 43,907,190 |
| Employee | 6 May 2016 | 6 May 2016 to 5 May 2019 | 0.363 | 46,308,066 | (600,002) | 855,499 | 46,563,563 |
| Total | | | | 188,978,884 | (5,451,441) | 3,507,092 | 187,034,535 |

All the above share options have been lapsed upon their respective maturity dates.

## 42. LITIGATIONS AND CONTINGENT LIABILITIES

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any material litigation or claims and, so far as the Directors were aware, no material litigation or claims were pending or threatened by or against any companies of the Group:

(i) An Originating Summons was issued and filed with the High Court of Hong Kong on 11th August, 2017 pursuant to Section 732 and 733 of the Companies Ordinance, Cap.622 by the plaintiff, Fourseasons Hong Kong Trading Limited, a shareholder of the Company claiming against the Company as the defendant for leave to bring legal proceedings on behalf of the Company against Tsang Wai Lun Wayland and Kwok Wai Man Nancy, the former executive directors of the Company, Kwok Siu Bun, Kwok Siu Wa Alison, Ma Xuemian, Chow Kwai Wa Anne now known as Chow Kwai Wa Charmaine, Hui Pui Wai Kimber, Liu Chaodong, the Directors of the Company, Tsang Tsz Tung Debbie and Chui Wai Hung, the former non-executive director and Independent non-executive Director of the Company respectively, Surplus Full Development Limited (a BVI company) and Intra Asia Limited, both now are the subsidiaries of the Company and the interested parties in the Xuzhou property project ("Xuzhou Project") and for costs of the proceedings.

The Company upon legal advice opposes the plaintiff's application and has filed its affirmation in opposition and the Plaintiff has paid into Court security for costs of the Defendants. The trial date of these proceedings has not been fixed yet.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group. However, the Directors cannot reasonably measure the financial impact of the Group before the conclusion of the said proceedings.

ii) Under the request of Notice of Assistance of Execution of Assets of the case no.(2017) Su 0303 Zhi No. 3267, Xuzhou Guojin Property Development Limited ("Guojin") a subsidiary company wholly owned by the Company should withhold all payment of the outstanding constructions fee due to Xu Zhou Chiang Chu Constructions Limited ("Chiang Chu") and pay to the People's Court of Yun Loong District of Xuzhou City to settle the outstanding fee by Chiang Chu to its creditor(s) up to the amount of RMB5,190,000.

According to the Agreement between the Company and the vendor(s) of the Xuzhou Project dated 24th February, 2017, all outstanding constructions fee and the accrued interest thereon should be borne by the vendors thereof.

In any event, the said RMB5,190,000 has been paid to the said Court and therefore, Guojin has complied with all the responsibilities in this case.

## 42. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

iii) Under the case no.(2019) Yue 0303 Min Chu No.6862, a subsidiary of the Company Shenzhen Zongke Real Estate Co., Ltd ("Shenzhen Zongke") claims against Shenzhen City You Fu Investment Development Limited for damages arising from a loan agreement. The action has been tried and the claims of Shenzhen Zongke were dismissed. However, Shenzhen Zongke has lodged its appeal to the Shenzhen Intermediate Court which was accepted on 23rd August, 2019 to be tried by the said Court under (2019) Yue 03 Min Zhong No.23478. The result of the appeal has not been delivered.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group. However, the Directors cannot reasonably measure the financial impact of the Group before the conclusion of the said proceedings.

iv) Under the case no.(2019) Yue 0307 Min Chu no.722, the 3rd Owners' Committee of Shenzhen City Long Gong District Buji De Fu Garden Claims as plaintiff against Grand Field Property Development (Shenzhen) Limited ("GF Property Shenzhen"), a subsidiary of the Company in respect of the dispute over the common areas issues. The case has been heard on 20th March, 2019 and 12th June, 2019 and the judgment thereof has been delivered by the Court on 10th December, 2019 in which all the Plaintiff's claims were dismissed.

In the opinion of the Directors, the said proceedings have been concluded and the Plaintiff's claims have been dismissed. Therefore, no material impact on the operations and finance of the Group.

v) Under the case no.(2019) Yue 0307 Min Chu no.819, the 3rd Owners' Committee of Shenzhen City Long Gong District Buji De Fu Garden as the plaintiff claims against GF Property Shenzhen as 1st Defendant and the Shenzhen City Longgong District Accommodation and Constructions Bureau as 2nd Defendant in respect of the dispute on the common areas issues. The case has been heard and Judgment thereof was delivered on 10th December, 2019 in which the Plaintiff's claim against the Defendants was dismissed.

In the opinion of the Directors, the said proceedings have been concluded and the Plaintiff's claims have been dismissed. Therefore, no material impact on the operations and finance of the Group.

## 42. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

vi) In the case no. (2019) Yue 0303 Min Chu no.36572 Huang Wei Yung sues Guangdong Hong Leng about the contract regarding residential units, Shenzhen Zongke and GF Property Shenzhen were brought into as the third parties. Under the judgment given on 20th December, 2019 by the People's Court of Lu Hu District of Shenzhen City, all the Claims by the said Huang Wei Yung were dismissed.

In the opinion of the Directors, the said proceedings have been concluded and the Plaintiff's claims have been dismissed. Therefore, no material impact on the operations and finance of the Group.

vii) Under (2019) Yue 0307 Min Chu No. 25067, Zheng Zhi Hwa sues Shenzhen Zongke in respect of dispute of employment agreement. By the civil judgment of the People's Court of Lung Gong District of Shenzhen City dated 10th December, 2019, the plaintiff's claim was dismissed.

In the opinion of the Directors, the said proceedings have been concluded and the Plaintiff's claims have been dismissed. Therefore, no material impact on the operations and finance of the Group.

viii) Under the case no. (2017) Yue 1973 Min Chu no.5565, Chen Huan Chi claims against Dongguan City Zhangmutou Properties Development Limited, Ka Fong company Limited and Grand Field Group Limited, the latter two being the subsidiaries of the Company for the dispute over the construction agreements and the amount claimed is RMB2,119,822. The process of judicial examination of evidence therein has been carried out but the hearing date of this action has not been fixed.

In the opinion of the Directors, the said case has no material impact on the operations of the Group. However, the Directors cannot reasonably measure the financial impact of the Group before the conclusion of the said proceedings.

## 42. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

ix) Under the case (2019) Yue 1973 Min Chu no. 16767, Chen Huan Chi claims against Ka Fong company Limited, Shing Fat Hong Limited, Shing Fat Hong and Grand Field Group Limited all being the subsidiaries of the Company and Chen Huan Jiang, Dongguan City Zhangmutou Properties Development Limited, Guangxi Jian Gong Holding 3rd Building Construction Limited in respect of disputes over construction agreement for the claimed amount for RMB5,189,100. This case has been accepted by the Court on 11th November, 2019 but the Group has not received any litigation materials thereof.

In the opinion of the Directors, the said case has no material impact on the operations of the Group. However, the Directors cannot reasonably measure the financial impact of the Group before the conclusion of the said proceedings.

## 43. COMMITMENTS

**(a)** The Group had the following material commitments at the end of the reporting period:

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Contracted but not provided for: | | |
| Investment properties under development | **360,071** | 373,111 |

## 43. COMMITMENTS *(Continued)*

### (b) As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases are payable which fall due as follows:

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **–** | 632 |
| In the second to fifth years inclusive | **–** | 211 |
| | **–** | 843 |

At 31 December 2018, the Group leases three office premises under operating leases. The leases typically run for an initial period of one to five years, at the end of which period all terms are negotiated. None of the lease includes contingent rentals.

### (c) As lessor

Property rental income earned during the year was approximately HK$3,542,000 (2018: HK$3,489,000).

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

| | **2019** | 2018 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **1,784** | 1,905 |
| In the second to fifth years inclusive | **4,745** | 5,940 |
| Over fifth years | **1,566** | 2,705 |
| | **8,095** | 10,550 |

## 43. COMMITMENTS *(Continued)*

### (c) As lessor *(Continued)*

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to twelve years (2018: one to twelve years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The properties are expected to generate rental yields of 1.13% (2018: 1.1%) on an ongoing basis.

## 44. RELATED PARTY TRANSACTIONS

(a) As at 31 December 2019, a balance of a deposit of approximately RMB11,249,000 (HK$12,751,000) for sales of properties received from a substantial shareholder of the Company– Mr. Tsang Yee, is included in the contract liabilities (note 31). For further details, please refer to the announcement of the Company on 26 March 2020.

(b) During the year ended 31 December 2019, salaries and allowance of HK$730,000 and HK$681,000 were paid to two substantial shareholders, Mr. Tsang Yee and Ms. Tsang Tsz Nok, Aleen respectively.

(c) The remuneration of the Group's key management personnel is disclosed in Note 13 to the consolidated financial statements.

## 45. EVENTS AFTER THE REPORTING PERIOD

### The impact of the outbreak of novel coronavirus

Shortly after we entered 2020, with the rapid outbreak of COVID-19 in various cities, has put the global economy to a major test. Under the effective control measures of Chinese government, the epidemic has been gradually controlled. The Group has comprehensively evaluated its impact on sales activates and construction works in various cities, with an aim to fully support the prevention and control on the novel coronavirus pneumonia epidemic and to effectively cut off the transmission of the virus.

The outbreak has caused short-term impacts on various industries, and the sales of the property development market has also been affected by the short-term psychological impact of the public on the outbreak. Therefore, the Group foresee the expect completion date of the property project may affected. However, there are numerous local governments in China have introduced relaxation policies to the local property development market to underpin it in order to stabilise the future development of the Chinese property development market. The Group will closely monitor the development of COVID-19 and continue to assessing the impact of the epidemic on the Group's finances and operations.

## 46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2020.

# Five-Year Financial Summary

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 December 2019.

## CONSOLIDATED RESULTS

| | For the years ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **3,542** | 68,019 | 178,575 | 6,257 | 3,843 |
| (Loss)/profit before tax | **(218,095)** | 476,642 | 308,514 | 108,706 | 1,226,036 |
| Income tax credit/(expense) | **50,271** | (123,920) | (76,552) | (37,534) | (303,500) |
| Loss for the year | **(167,824)** | 352,722 | 231,962 | 71,172 | 922,536 |

## CONSOLIDATED ASSETS AND LIABILITIES

| | For the years ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Total assets | **4,582,216** | 4,161,138 | 2,609,262 | 1,680,830 | 1,626,671 |
| Total liabilities | **(2,492,616)** | (1,883,261) | (794,548) | (384,583) | (346,240) |
| Net assets | **2,089,600** | 2,277,877 | 1,814,714 | 1,296,247 | 1,280,431 |

# Major Properties Under Development

## A) SHENZHEN ZONGKE YUNDUAN BUILDING PROJECT

| Location | Site area/ gross floor area | Interest attributable to the Group | Existing use | Status of the project | Expected completion date |
|---|---|---|---|---|---|
| ZongKe YunDuan Building Project, Xihuan Lu, Buji Street, Longgang District, Shenzhen, PRC | Site area: 23,629.03m$^2$ Capacity building area: 98,000m$^2$ Total gross floor area: 180,944.79m$^2$ | 50% | Commercial use, class 2 residential use | The main structure of the project is about to be completed and the whole project is in the process of acceptance inspection. The commercial part of the project is attracting investment and the sales of the residential portion has been launched in early 2019. | End of year 2020 |

# Major Completed Investment Properties

| Location | Gross floor area | Interest attributable to the Group | Status of the project | Lease term |
|---|---|---|---|---|
| Residential buildings, offices, shops and parking lots of the Jingangwan project in Gulou District, Xuzhou, Jiangsu Province, PRC | Total gross floor area of the properties: 11,478.96m$^2$ (excluding the sold residential properties) | 100% | The properties are available for rent. | Residential: 70 years; Non-Residential: 40 years |
| A portfolio of shops and parking lots in Yile Garden, Yongning Street, Zhangmutou Town, Dongguan, PRC | Total gross floor area of the properties：6,680.82m$^2$ | 100% | The properties are being managed and available for rent. | 70 years |
| A portfolio of shops and parking lots in Huadu Garden, Yonglong Street, Zhangmutou Town, Dongguan, PRC | Total gross floor area of the properties：6,970.55m$^2$ | 100% | The properties are being managed and available for rent. | 70 years |