Notes to Financial Statements

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1. CORPORATE AND GROUP INFORMATION

Tysan Holdings Limited is a limited liability company incorporated in Bermuda.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.

During the year, the Group was involved in the following principal activities:

- foundation piling and site investigation
- property development and investment
- investment

There were no significant changes in the nature of the Group's principal activities during the year.

On 27 March 2019, upon the completion of the transfer of approximately 69.54% of issued shares of the Company by HNA Finance I Co., Ltd. ("HNA Finance I") to Times Holdings II Limited ("Times Holdings II"), the Company has become a subsidiary of Times Holdings II, a company incorporated in Cayman Islands and ultimately controlled by The Blackstone Group Inc., which is listed on The New York Stock Exchange and considered as the ultimate holding company of the Company.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company 2019	2018	Principal activities
Tysan Foundation (Hong Kong) Limited	Hong Kong	Ordinary HK$100	**100**	100	Investment holding
Tysan Contractors (Hong Kong) Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Project management and provision of consultancy and management services
Tysan Construction (Macau) Limited (note 1)	Macau	Ordinary MOP25,000	**100**	100	Foundation piling
Tysan Foundation Limited (notes 1 and 2)	Hong Kong	Ordinary HK$141,000,000 Deferred HK$3,000,000	**100**	100	Foundation piling and site investigation
Tysan Foundation Geotechnical Limited (note 1)	Hong Kong	Ordinary HK$60,110,000	**100**	100	Foundation piling and site investigation
Tysan Machinery Hire Limited (notes 1 and 2)	Hong Kong	Ordinary HK$10,000 Deferred HK$200,000	**100**	100	Machinery hiring
Proficiency Equipment Limited (note 1)	Hong Kong	Ordinary HK$24,480,000	**100**	100	Machinery hiring and trading

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1. CORPORATE AND GROUP INFORMATION *(Cont'd)*

Information about subsidiaries *(Cont'd)*

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company 2019	2018	Principal activities
Proficiency Engineering Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Provision of engineering services and machinery hiring
Lion Bright Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Machinery hiring and trading
Mac Proficiency Limited (note 1)	Macau	Ordinary MOP25,000	**100**	100	Provision of engineering services and machinery hiring
Tysan Management Limited (note 2)	Hong Kong	Ordinary HK$16,720,850 Deferred HK$2	**100**	100	Corporate management
Tysan Investment Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Cottontree Pacific Limited*	British Virgin Islands ("BVI")	Ordinary HK$1	**100**	100	Investment holding
Tysan Foundation Holdings Limited* (note 1)	Bermuda	Ordinary HK$0.1	**100**	100	Investment holding
Tysan Property Development & Investment Limited (note 5)	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Sure Faith Investment Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Property holding
Duncan Properties Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Federated Resources Limited* (note 1)	BVI	Ordinary US$100	**100**	100	Investment holding
Carriway Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Shanghai Changning Duncan Property Consulting Company Limited* (notes 1 and 3)	PRC/Mainland China	RMB200,000	**100**	100	Property consulting
Great Regent Investments Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Great Prosper Limited (note 1)	Hong Kong	Ordinary HK$100	**100**	100	Investment holding
Sparkle Key Limited (note 1)	Hong Kong	Ordinary HK$10,000	**100**	100	Investment holding
Tysan Land (Shenyang) Limited* (notes 1, 3 and 4)	PRC/Mainland China	US$108,300,000	**–**	100	Property development
Gainful Engineering Limited (note 1)	Hong Kong	Ordinary HK$1	**100**	100	Project management

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1. CORPORATE AND GROUP INFORMATION *(Cont'd)*

Information about subsidiaries *(Cont'd)*

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company 2019	2018	Principal activities
Omnilink Assets Limited*	BVI	Ordinary HK$1	**100**	100	Investment holding
Twinpeak Assets Limited* (notes 1 and 4)	BVI	Ordinary HK$1	**–**	100	Investment holding
Milway Development Limited (notes 1 and 4)	Hong Kong	Ordinary HK$1	**–**	100	Property development
Silverbell Asia Limited*	BVI	Ordinary HK$1	**100**	100	Corporate financing
Benefit Developments Limited*	BVI	Ordinary HK$1	**100**	100	Investment
HKICIM (GP) II Limited* (note 1)	Cayman Islands	Ordinary US$1	**100**	100	Investment
Benefit Developments III Limited*	BVI	Ordinary HK$1	**100**	100	Investment
HKICIM (GP) III Limited* (note 1)	Cayman Islands	Ordinary US$1	**100**	100	Investment

Notes:

1. Held through subsidiaries.

2. The deferred shares carry no rights to dividends (other than a fixed non-cumulative dividend at the rate of 5% per annum for any financial year during which the net profit of the relevant company available for dividends exceeds HK$1 billion), no rights to vote at general meetings, no rights to receive any surplus on a return of capital on a winding-up (other than the amount paid up on such shares, provided that the holders of the ordinary shares of that company have been distributed in such a winding-up of a sum of HK$1,000 billion in respect of each ordinary share).

3. These entities are registered as wholly-foreign-owned enterprises under the PRC law.

4. These entities were disposed of during the year. Details of the disposals were disclosed in note 40 to the financial statements.

5. The name of this entity was changed from HKICIM Group Property Development & Investment Limited to Tysan Property Development & Investment Limited effective from 30 August 2019.

* Subsidiaries whose statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

On 28 February 2019, the Group acquired Superior Choice Holdings Limited and its wholly-owned subsidiary, Excel Pointer Limited (collectively, the "Superior Choice Group") from an independent party (the "Superior Choice Acquisition") and subsequently disposed of the Superior Choice Group on 19 August 2019 (the "Superior Choice Disposal"). Further details of the Superior Choice Acquisition and the Superior Choice Disposal are disclosed in notes 39 and 40(b), respectively, to the financial statements.

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

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2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases when the Group is the lessor.

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

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Cont'd)*

As a lessee – Leases previously classified as operating leases *(Cont'd)*

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease; and
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

Financial impact at 1 January 2019

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

	HK$'000
Assets	
Increase in right-of-use assets	146,976
Decrease in property, plant and equipment	(103,308)
Increase in total assets	43,668
Liabilities	
Increase in lease liabilities and total liabilities	43,668

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

Operating lease commitments as at 31 December 2018 (HK$'000)	60,093
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019 (HK$'000)	(14,187)
Net balance (HK$'000)	45,906
Weighted average incremental borrowing rate as at 1 January 2019	5.375%
Discounted operating lease commitments and lease liabilities as at 1 January 2019 (HK$'000)	43,668

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business* [1]
Amendments to HKFRS 9, HKAS 19 and HKFRS 7	*Interest Rate Benchmark Reform* [1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
HKFRS 17	*Insurance Contracts* [2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material* [1]

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, properties under development, properties held for sale, inventories, contract assets, deferred tax assets, financial assets and disposal groups classified as held for sale), the asset's recoverable amount is calculated as the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of non-financial assets *(Cont'd)*

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

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Buildings	5%
Equipment and machinery	10% – 33⅓%
Furniture and fixtures	20%
Motor vehicles	20%
Motor yacht	10%
Leasehold improvements	10% – 33⅓%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investment properties

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

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Non-current assets and disposal groups held for sale

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

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

Properties under development

Properties under development which are developed in the ordinary course of business are included in current assets at the lower of cost and net realisable value.

The cost of properties under development comprises land cost, construction costs, professional fees, borrowing costs capitalised according to the Group's policy and other directly attributable expenses incurred during the development period. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

On completion of construction, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost includes the cost of land, interest capitalised during the period of development and other direct costs attributable to the development of the properties. Net realisable value is determined by reference to the prevailing market prices on an individual property basis, less all costs to completion, if applicable, and costs of marketing and selling.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leases (applicable from 1 January 2019)

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	35 to 40 years
Buildings	2 to 3 years

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

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leases (applicable from 1 January 2019) *(Cont'd)*

Group as a lessee *(Cont'd)*

(c) *Short-term leases*

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

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

Group as a lessor

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

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

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

Leases (applicable before 1 January 2019)

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

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

Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and other financial assets *(Cont'd)*

Subsequent measurement *(Cont'd)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of financial assets *(Cont'd)*

General approach *(Cont'd)*

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

Derecognition of financial assets

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and retention payables, other payables, interest-bearing bank and other borrowings and guaranteed notes.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Income tax *(Cont'd)*

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(b) Sales of properties held for sale

Revenue from sales of properties held for sale is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

(c) Provision of property and fund management services

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(d) Machinery engineering services

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

(e) Machinery trading

Revenue from machinery trading is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the machineries.

Revenue from other sources

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

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Notes to Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Employee benefits

Share-based payments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Employee benefits *(Cont'd)*

Share-based payments *(Cont'd)*

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

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

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

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operated a defined contribution provident fund (the "Fund") for certain of its employees in Hong Kong, the assets of which were held separately from those of the Group and were managed by an independent professional fund manager. Contributions under the Fund were made based on a percentage of the eligible employees' basic salaries and were charged to the statement of profit or loss as they became payable in accordance with the rules of the scheme. The ongoing contributions to the Fund were terminated on 1 April 1999.

Following the introduction of the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme"), the Group has restructured its retirement scheme arrangements to comply with the Mandatory Provident Fund Schemes Ordinance. The Group has secured a Mandatory Provident Fund exemption status for the Fund and, in addition, has participated in an approved defined contribution MPF Scheme with effect from 1 December 2001, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

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31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies *(Cont'd)*

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Current and deferred tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made. Further details are disclosed in notes 10 and 30 to the financial statements.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns and actual default cases.

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Cont'd)*

Estimation uncertainty *(Cont'd)*

Provision for expected credit losses on trade receivables and contract assets *(Cont'd)*

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 19 and 20 to the financial statements, respectively.

Fair value of convertible bonds

As at 31 December 2018, the convertible bonds had been valued based on a multiple valuation technique as detailed in note 43 to the financial statements. The valuation required the Group to determine the comparable companies and select the appropriate market comparables. In addition, the Group made estimates about marketability discount and risk-free rate used. Management's estimation on the probability of potential investment was also involved. The Group classified the fair value of the convertible bonds as Level 3. The fair value of the convertible bonds at 31 December 2018 was HK$833,732,000. Further details are disclosed in note 22(iii) to the financial statements.

Percentage of completion of construction works

The Group recognises revenue according to the percentage of completion of the individual contract of construction works. The Group's management estimates the percentage of completion of construction works based on actual costs incurred over the total budgeted costs. Corresponding contract revenue was also estimated by management based on contract sum and works values from variation works. Because of the nature of the activities undertaken for the construction contracts, the date at which the contracts are entered into and the date when the contract are completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses.

When determining the total budgeted costs, management takes reference to information such as (i) current or recent offers from subcontractors and suppliers, (ii) variation orders received from customers, and (iii) estimation on material costs, labour costs and other costs for the completion of the projects provided by quantity survey department.

Write-down of properties under development

The Group performs a regular review on the carrying amounts of properties under development. Based on management's review, write-down of properties under development will be made when the estimated net realisable value has declined below the carrying amount.

In determining whether write-down should be made for the Group's properties under development, the Group takes into consideration the current market environment and the estimated net realisable value (i.e. the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale). A write-down is made if the estimated or actual net realisable value of the properties under development is less than the carrying amount as a result of change in market condition and/or significant variation in the budgeted development cost. Further details are disclosed in note 17 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with internal reporting to the Company's key management personnel as follows:

(a) the foundation piling segment (including site investigation operation);

(b) the property development and investment segment;

(c) the investment segment; and

(d) the "corporate and others" segment comprises, principally, the Group's corporate operation, and machinery leasing and trading businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax.

The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax from continuing operations except that interest income and non-lease related finance costs are excluded from such measurement.

Segment assets exclude deferred tax assets, tax prepaid and time deposits as these assets are managed on a group basis.

Segment liabilities exclude dividend payable, interest-bearing bank and other borrowings, guaranteed notes, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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4. OPERATING SEGMENT INFORMATION *(Cont'd)*

For the years ended 31 December 2019 and 2018

	Foundation piling		Property development and investment		Investment		Corporate and others		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue: (note 5)										
Sales to external customers	**2,532,107**	2,530,539	**76,162**	282,973	**75,082**	122,206	**37,927**	35,452	**2,721,278**	2,971,170
Intersegment sales	**103,208**	393,409	**–**	–	**–**	–	**–**	1,151	**103,208**	394,560
Other income and gains	**2,322**	7,697	**6,662**	16,443	**149,612**	137,013	**1,192**	17,690	**159,788**	178,843
Total	**2,637,637**	2,931,645	**82,824**	299,416	**224,694**	259,219	**39,119**	54,293	**2,984,274**	3,544,573
Reconciliation:										
Elimination of intersegment sales									**(103,208)**	(394,560)
Revenue									**2.881,066**	3,150,013
Segment results	**(56,924)**	(23,306)	**(694,596)**	578,524	**217,900**	242,826	**(234,655)**	(285,903)	**(768,275)**	512,141
Interest income									**84,470**	41,675
Finance costs (other than interest on lease liabilities)									**(40,278)**	(60,584)
Profit/(loss) before tax									**(724,083)**	493,232
Income tax expense									**(42,570)**	(132,336)
Profit/(loss) for the year									**(766,653)**	360,896
Assets and liabilities										
Segment assets	**1,622,498**	1,521,384	**409,842**	11,171,091	**29,082**	1,044,951	**563,777**	988,102	**2,625,199**	14,725,528
Unallocated									**2,274,458**	2,611,831
									4,899,657	17,337,359
Segment liabilities	**616,051**	726,950	**3,277**	475,430	**250**	2,092	**59,289**	39,711	**678,867**	1,244,183
Unallocated									**1,898,924**	3,930,513
									2,577,791	5,174,696

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

For the years ended 31 December 2019 and 2018

	Foundation piling		Property development and investment		Investment		Corporate and others		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:										
Depreciation of property, plant and equipment	**39,564**	30,701	**42**	6	**–**	–	**12,227**	17,758	**51,833**	48,465
Depreciation of right-of-use assets	**5,872**	–	**10**	–	**–**	–	**9,674**	–	**15,556**	–
Impairment of right-of-use assets	**–**	–	**–**	–	**–**	–	**17,757**	–	**17,757**	–
Impairment of contract assets	**–**	2,048	**–**	–	**–**	–	**–**	–	**–**	2,048
Impairment of trade receivables	**–**	–	**–**	–	**–**	–	**985**	–	**985**	–
Impairment/(write-back of impairment) of other receivables	**–**	–	**–**	(144)	**1,174**	–	**–**	–	**1,174**	(144)
Write-off of other receivables	**–**	–	**–**	–	**–**	232	**–**	–	**–**	232
Write-down of properties under development	**–**	–	**–**	452,903	**–**	–	**–**	–	**–**	452,903
Write-down of inventories to net realisable value	**–**	–	**–**	–	**–**	–	**1,351**	–	**1,351**	–
Write-off of inventories	**–**	–	**–**	–	**–**	–	**101**	–	**101**	–
Loss/(gain) on disposal and write-off of items of property, plant and equipment, net	**4,502**	(4,669)	**–**	5	**–**	–	**138**	(20)	**4,640**	(4,684)
Loss/(gain) on disposal of subsidiaries, net	**–**	–	**567,469**	(1,030,771)	**–**	–	**–**	716	**567,469**	(1,030,055)
Gain on disposal of interests in an associate	**–**	–	**–**	–	**–**	–	**–**	(143)	**–**	(143)
Changes in fair value of an investment property	**–**	–	**105,000**	–	**–**	–	**–**	–	**105,000**	–
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	**–**	–	**–**	–	**(149,612)**	(137,012)	**52,741**	(16,765)	**(96,871)**	(153,777)
Capital expenditure	**83,198**	56,733	**–**	–	**–**	–	**1,134**	2,083	**84,332**	58,816

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31 December 2019

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

Geographical information

(a) Revenue from external customers

For the years ended 31 December 2019 and 2018

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**2,649,404**	2,698,625	**71,874**	272,545	**2,721,278**	2,971,170

The revenue information above is based on the locations of the customers.

(b) Non-current assets

At 31 December 2019 and 2018

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	297,437	256,467	**–**	–	**297,437**	256,467

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

Information about major customers

Revenue of approximately HK$388,329,000 was derived from sales by the foundation piling segment to Customer B during the year. Revenue of approximately HK$565,430,000, HK$388,882,000 and HK$321,732,000 were derived from sales by the foundation piling segment to Customer A, Customer B and Customer C, respectively, during the year ended 31 December 2018.

5. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers	**2,703,374**	2,951,990
Revenue from other sources		
Gross rental income from properties held for sale and investment property operating leases	**7,850**	5,891
Gross rental income from machinery leasing	**10,054**	13,289
	2,721,278	2,971,170

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31 December 2019

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Foundation piling HK$'000	Property development and investment HK$'000	Investment HK$'000	Corporate and others HK$'000	Total HK$'000
Types of goods or services					
Machinery trading	–	–	–	1,435	1,435
Sale of properties held for sale	–	68,312	–	–	68,312
Construction services	2,532,107	–	–	–	2,532,107
Machinery engineering services	–	–	–	26,438	26,438
Management services	–	–	75,082	–	75,082
Total revenue from contracts with customers	2,532,107	68,312	75,082	27,873	2,703,374
Geographical markets					
Hong Kong	2,532,107	–	75,082	27,873	2,635,062
Mainland China	–	68,312	–	–	68,312
Total revenue from contracts with customers	2,532,107	68,312	75,082	27,873	2,703,374
Timing of revenue recognition					
Good transferred at a point of time	–	68,312	–	1,435	69,747
Services transferred over time	2,532,107	–	75,082	26,438	2,633,627
Total revenue from contracts with customers	2,532,107	68,312	75,082	27,873	2,703,374

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31 December 2019

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(i) Disaggregated revenue information *(Cont'd)*

For the year ended 31 December 2018

Segments	Foundation piling *HK$'000*	Property development and investment *HK$'000*	Investment *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Types of goods or services					
Machinery trading	–	–	–	2,101	2,101
Sale of properties held for sale	–	266,654	–	–	266,654
Construction services	2,530,539	–	–	–	2,530,539
Machinery engineering services	–	–	–	20,062	20,062
Management services	–	10,428	122,206	–	132,634
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990
Geographical markets					
Hong Kong	2,530,539	10,428	122,206	22,163	2,685,336
Mainland China	–	266,654	–	–	266,654
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990
Timing of revenue recognition					
Good transferred at a point of time	–	266,654	–	2,101	268,755
Services transferred over time	2,530,539	10,428	122,206	20,062	2,683,235
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(i) Disaggregated revenue information *(Cont'd)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	Foundation piling HK$'000	Property development and investment HK$'000	Investment HK$'000	Corporate and others HK$'000	Total HK$'000
Revenue from contracts with customers					
External customers	2,532,107	68,312	75,082	27,873	2,703,374
Intersegment sales	103,208	–	–	–	103,208
	2,635,315	68,312	75,082	27,873	2,806,582
Intersegment adjustments and eliminations	(103,208)	–	–	–	(103,208)
Total revenue from contracts with customers	2,532,107	68,312	75,082	27,873	2,703,374

For the year ended 31 December 2018

Segments	Foundation piling HK$'000	Property development and investment HK$'000	Investment HK$'000	Corporate and others HK$'000	Total HK$'000
Revenue from contracts with customers					
External customers	2,530,539	277,082	122,206	22,163	2,951,990
Intersegment sales	393,409	–	–	1,151	394,560
	2,923,948	277,082	122,206	23,314	3,346,550
Intersegment adjustments and eliminations	(393,409)	–	–	(1,151)	(394,560)
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Notes to Financial Statements

31 December 2019

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(ii) Performance obligations *(Cont'd)*

Sale of properties held for sale

The performance obligation is satisfied when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property and payment is due upon delivery of the property to the customer.

Management services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one year or less, and are billed based on the time incurred.

Machinery engineering services

The performance obligation is satisfied over time as the customer simultaneously receives and consumes the support services as the Group continues to provide support services to the customer.

Machinery trading

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 days from delivery.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019	2018
	HK$'000	*HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	**2,490,902**	2,185,433
After one year	**550,651**	404,644
	3,041,553	2,590,077

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

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31 December 2019

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Other income and gains

	2019 HK$'000	2018 HK$'000
Interest income	**84,470**	41,675
Insurance claims	**1,274**	1,039
Subsidy income*	**–**	212
Fair value gain on financial assets at fair value through profit or loss	**149,612**	153,777
Gain on disposal of interests in an associate (note 41)	**–**	143
Gain on disposal of items of property, plant and equipment	**–**	4,683
Write-back of impairment of an amount due from an associate	**–**	13
Write-back of impairment of other receivables	**–**	144
Others	**8,902**	18,832
	244,258	220,518

* There were no unfulfilled conditions or contingencies relating to this income.

6. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	**20,322**	169,452
Interest on other borrowings	**15,633**	18,764
Interest on guaranteed notes	**17,864**	24,864
Interest on loans from related companies	**3,713**	11,533
Interest on lease liabilities	**1,761**	–
	59,293	224,613
Less: Interest capitalised in properties under development (note 17)	**(17,254)**	(164,029)
Less: Interest included in cost of sales	**(47)**	–
	41,992	60,584

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7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Cost of properties sold		**60,095**	201,931
Cost of foundation piling and site investigation works		**2,578,707**	2,557,712
Cost of services rendered		**67,823**	87,105
Depreciation of property, plant and equipment	14	**51,833**	48,465
Depreciation of right-of-use assets	16(a)	**15,556**	–
Minimum lease payments under operating leases		**–**	46,491
Lease payments not included in the measurement of lease liabilities	16(c)	**15,655**	–
Auditor's remuneration		**2,823**	3,393
Employee benefit expense (including directors' remuneration – note 8):			
Wages and salaries		**489,742**	442,848
Equity-settled share option expense		**14,425**	160,060
Pension scheme contributions		**14,560**	15,814
		518,727	618,722
Foreign exchange losses, net*		**2,648**	42,069
Impairment of financial and contract assets, net:			
Impairment of trade receivables*	19	**985**	–
Impairment of contract assets*	20	**–**	2,048
Impairment/(write-back of impairment) of other receivables*	21	**1,174**	(115)
Write-back of impairment of other receivables included in disposal groups classified as held for sale*		**–**	(29)
		1,174	(144)
Write-off of other receivables*		**–**	232
Impairment of right-of-use assets*#	16(c)	**17,757**	–
Loss/(gain) on disposal and write-off of items of property, plant and equipment*		**4,640**	(4,683)
Gain on disposal of interests in an associate*	41	**–**	(143)
Fair value gain on financial assets at fair value through profit or loss*	22(i), 22(ii), 22(iii)	**(149,612)**	(153,777)
Fair value loss on a financial asset at fair value through profit or loss*	22(ii)	**52,741**	–
Changes in fair value of an investment property	15	**105,000**	–
Write-back of impairment of an amount due from an associate*		**–**	(13)
Write-down of properties under development*		**–**	452,903
Write-down of inventories to net realisable value*		**1,351**	–
Write-off of inventories*		**101**	–
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**1,723**	843

* These amounts are included in "Other expenses, net" or "Other income and gains" in the consolidated statement of profit or loss.

\# This amount represented impairment on the right-of-use asset on the lease of an office premise as a sale office for a property development project. After the subsidiary holding such property development project was disposed of (note 40(a)) and the lease was early terminated during the year, full impairment was provided for the remaining right-of-use asset on the lease.

8. DIRECTORS' REMUNERATION

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

	2019	2018
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Non-executive directors	**244**	673
Independent non-executive directors	**1,543**	1,619
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**60,603**	39,559
Equity-settled share option expenses	**–**	114,806
Pension scheme contributions	**36**	63
	62,426	156,720

During the year ended 31 December 2018, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company. Further details of which are set out in note 32 to the financial statements and the report of the directors. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2018 is included in the above directors' remuneration disclosures.

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31 December 2019

8. DIRECTORS' REMUNERATION *(Cont'd)*

The remuneration paid or payable to each of the directors is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity- settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2019					
Executive directors:					
Mr. Fung Chiu Chak, Victor ("Mr. Fung")	–	25,787	–	18	25,805
Mr. Sun Kin Ho Steven[1]	–	33,233	–	18	33,251
Mr. Chen Chao[2]	–	–	–	–	–
Mr. He Jiafu[3]	–	–	–	–	–
Mr. Liu Junchun[4]	–	1,583	–	–	1,583
Mr. Huang Qijun[4]	–	–	–	–	–
Mr. Guo Ke[5]	–	–	–	–	–
Mr. Zhang Peihua[6]	–	–	–	–	–
	–	60,603	–	36	60,639
Non-executive directors:					
Mr. Justin Wai[7]	–	–	–	–	–
Mr. Wang Tianbing[7]	–	–	–	–	–
Mr. David Robert McClure[7]	–	–	–	–	–
Mr. Lau Che Hang Alex[7]	–	–	–	–	–
Mr. Wu Charles Hsing-yuan[7]	–	–	–	–	–
Mr. Yuen Park Man[7]	–	–	–	–	–
Mr. Tang King Shing[8]	122	–	–	–	122
Mr. Yang Han Hsiang[9]	122	–	–	–	122
	244	–	–	–	244
Independent non-executive directors:					
Mr. Fan Chor Ho	360	–	–	–	360
Mr. Tse Man Bun	360	–	–	–	360
Mr. Lung Chee Ming, George	360	–	–	–	360
Mr. Li Kit Chee	360	–	–	–	360
Mr. Chong Kin Ho[10]	103	–	–	–	103
	1,543	–	–	–	1,543
Total	1,787	60,603	–	36	62,426

8. DIRECTORS' REMUNERATION *(Cont'd)*

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Equity- settled share option benefits *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
2018					
Executive directors:					
Mr. Chen Chao[2]	–	–	–	–	–
Mr. Sun Kin Ho Steven[1]	–	1,234	19,435	7	20,676
Mr. He Jiafu[3]	–	–	8,669	–	8,669
Mr. Fung	–	25,410	10,165	18	35,593
Mr. Liu Junchun[4]	–	6,159	10,165	11	16,335
Mr. Huang Qijun[4]	–	1,833	17,281	–	19,114
Mr. Guo Ke[5]	–	–	8,669	–	8,669
Mr. Zhang Peihua[6]	–	–	–	–	–
Mr. Mu Xianyi[11]	–	955	8,496	–	9,451
Mr. Wong Tai Lun Kenneth[12]	–	3,251	6,041	15	9,307
Mr. Mung Kin Keung[13]	–	–	–	–	–
Mr. Mung Hon Ting, Jackie[14]	–	717	3,726	12	4,455
Mr. Li Xiaoming[15]	–	–	3,726	–	3,726
	–	39,559	96,373	63	135,995
Non-executive directors:					
Mr. Tang King Shing[8]	336	–	4,066	–	4,402
Mr. Yang Han Hsiang[9]	119	–	4,623	–	4,742
Mr. Tang Kit[16]	218	–	1,987	–	2,205
	673	–	10,676	–	11,349
Independent non-executive directors:					
Mr. Fan Chor Ho	336	–	1,728	–	2,064
Mr. Tse Man Bun	336	–	1,728	–	2,064
Mr. Lung Chee Ming, George	336	–	1,728	–	2,064
Mr. Li Kit Chee	336	–	1,728	–	2,064
Mr. Leung Kai Cheung[17]	275	–	845	–	1,120
	1,619	–	7,757	–	9,376
Total	2,292	39,559	114,806	63	156,720

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8. DIRECTORS' REMUNERATION *(Cont'd)*

Notes:

1 Mr. Sun Kin Ho Steven was appointed as an executive director with effect from 3 August 2018 and resigned with effect from 1 January 2020.

2 Mr. Chen Chao was appointed as an executive director with effect from 26 October 2018 and resigned with effect from 3 May 2019.

3 Mr. He Jiafu was appointed as an executive director with effect from 3 August 2018 and resigned with effect from 3 May 2019.

4 Mr. Liu Junchun and Mr. Huang Qijun resigned as executive directors with effect from 3 May 2019.

5 Mr. Guo Ke was appointed as an executive director with effect from 24 August 2018 and resigned with effect from 3 May 2019.

6 Mr. Zhang Peihua was appointed as an executive director with effect from 9 November 2018 and resigned with effect from 3 May 2019.

7 Mr. Justin Wai, Mr. Wang Tianbing, Mr. David Robert McClure, Mr. Lau Che Hang Alex, Mr. Wu Charles Hsing-yuan and Mr. Yuen Pak Man were appointed as non-executive directors with effect from 11 April 2019.

8 Mr. Tang King Shing resigned as a non-executive director with effect from 3 May 2019.

9 Mr. Yang Han Hsiang was appointed as a non-executive director with effect from 24 August 2018 and resigned with effect from 3 May 2019.

10 Mr. Chong Kin Ho was appointed as an independent non-executive director with effect from 21 January 2019 and resigned with effect from 3 May 2019.

11 Mr. Mu Xianyi resigned as an executive director with effect from 9 November 2018.

12 Mr. Wong Tai Lun Kenneth resigned as an executive director with effect from 26 October 2018.

13 Mr. Mung Kin Keung was appointed as an executive director with effect from 1 February 2018 and resigned with effect from 3 August 2018.

14 Mr. Mung Hon Ting, Jackie resigned as an executive director with effect from 3 August 2018.

15 Mr. Li Xiaoming resigned as an executive director with effect from 24 August 2018.

16 Mr. Tang Kit resigned as a non-executive director with effect from 24 August 2018.

17 Mr. Leung Kai Cheung resigned as an independent non-executive director with effect from 26 October 2018.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2018: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2018: one) non-director highest paid employees are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Salaries, allowances and benefits in kind	**14,233**	8,042
Equity-settled share option expense	**4,287**	3,865
Pension scheme contributions	**36**	18
	18,556	11,925

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Numbers of employees	
	2019	2018
HK$11,500,001 to HK$12,000,000	**–**	1
HK$6,500,001 to HK$7,000,000	**2**	–
HK$5,000,001 to HK$5,500,000	**1**	–
	3	1

During the year ended 31 December 2018, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group. Further details of which are included in the disclosures in note 32 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the years ended 31 December 2019 and 2018 are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

Notes to Financial Statements

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10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere in the PRC have been calculated at the applicable tax rates prevailing in the areas in which the Group operates.

	2019 *HK$'000*	2018 *HK$'000*
Current:		
Provision for tax in respect of profit for the year:		
PRC:		
Hong Kong	**26,918**	21,086
Elsewhere	**11,864**	175,576
	38,782	196,662
Underprovision/(overprovision) in the prior years:		
PRC:		
Hong Kong	**1,043**	(65)
Elsewhere	**999**	(381)
	2,042	(446)
Deferred tax (note 30)	**1,746**	(63,880)
Total tax charge for the year	**42,570**	132,336

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax at the statutory rates for the countries or regions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Profit/(loss) before tax	**(724,083)**	493,232
Tax at the statutory rates	**(128,670)**	152,551
Provision for land appreciation tax	**4,106**	23,790
Tax effect of land appreciation tax	**(665)**	1,983
Adjustments in respect of current tax of prior years	**2,042**	(446)
Income not subject to tax	**(28,430)**	(125,176)
Expenses not deductible for tax	**185,556**	159,777
Effect of withholding tax on the distributable profits of the Group's subsidiaries in Mainland China	**2,798**	10,113
Temporary difference arising from disposal groups held for sale	**–**	(78,809)
Tax losses utilised from prior years	**(5,390)**	(16,970)
Tax losses not recognised	**11,223**	5,523
Tax charge at the Group's effective rate	**42,570**	132,336

11. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 22 November 2019, Tysan Investment Limited ("Tysan Investment"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with HNA Finance I to dispose of its entire equity interest in Uni-Genius Investments Limited ("Uni-Genius") and assign all amounts which Uni-Genius owed to Tysan Investment at a cash consideration of HK$343,200,000 (the "Uni-Genius Disposal"). The principal activity of Uni-Genius was trading of financial products and holding of an unlisted wealth management investment in a fund during the years ended 31 December 2018 and 2019 (note 22(ii)). Upon completion of the Uni-Genius Disposal on 5 March 2020, Uni-Genius ceased to be a subsidiary of the Company.

The major classes of assets and liabilities classified as held for sale as at the end of the reporting period are as follows:

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Assets			
Property, plant and equipment		–	1,967
Properties held for sale		–	1,165,888
Trade receivables		–	55
Prepayments, deposits and other receivables		–	3,505
Financial asset at fair value through profit or loss	22(ii)	**309,270**	–
Tax prepaid		–	7,766
Cash and cash equivalents		**50**	23,683
Assets classified as held for sale		**309,320**	1,202,864
Liabilities			
Trade and retention payables and accruals (note a)		–	118,246
Contract liabilities		–	1,167
Other payables, deposits received and receipts in advance		–	2,048
Other loans (note b)		–	334,748
Tax payable		–	1,121
Deferred tax liabilities	30	–	1,942
Liabilities directly associated with the assets classified as held for sale		–	459,272
Net assets directly associated with the disposal groups		**309,320**	743,592

Notes:

(a) Included in the balances as at 31 December 2018 were amounts due to Tysan Land (Shanghai) Limited ("Tysan Shanghai") of HK$2,118,000 and Tysan Property Development (Tianjin) Company Limited ("Tysan Tianjin") of HK$198,000 which were unsecured, interest-free and repayable on demand.

(b) As at 31 December 2018, the balances included a loan from Tysan Shanghai of HK$170,790,000 which was unsecured, bore interest at the interest rate published by The People's Bank of China ("PBOC") and is repayable on 29 September 2020, and a loan from Tysan Tianjin of HK$163,958,000 which was unsecured, bore interest at the interest rate published by PBOC and was repayable on 21 December 2019.

As at 31 December 2018, the disposal groups classified as held for sale included the assets and liabilities of Tysan Land (Shenyang) Limited ("Tysan Shenyang"). The disposal of Tysan Shenyang was completed on 27 November 2019, details of which are disclosed in note 40(c) to the financial statements.

Certain of the Group's properties held for sale were leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

Notes to Financial Statements

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12. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends declared and paid during the year:		
First special – HK$1.48 per ordinary share (2018: Nil)	**4,981,733**	–
Second special – HK$0.52 per ordinary share (2018: Nil)	**1,750,339**	–
Interim – HK$0.21 per ordinary share (2018: Nil)	**706,867**	–
Final in respect of the financial year ended 31 December 2017 – HK10.0 cents per ordinary share	**–**	340,249
	7,438,939	340,249

Notes:

(a) Third special dividend of HK$0.50 per ordinary share, totaling approximately HK$1,683,018,000, was approved by the board of directors (the "Board") on 12 December 2019 and was paid on 23 January 2020. The special dividend has been recognised as a liability in the financial statements as at 31 December 2019.

(b) The Board has resolved not to recommend any final dividend in respect of the year ended 31 December 2019.

(c) Subsequent to the end of the reporting period, on 23 March 2020, a special dividend of HK$0.24 per ordinary share, totaling approximately HK$807,849,000, was approved by the Board and will be payable on 29 April 2020.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss (2018: earnings) per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$766,655,000 (2018: profit of HK$360,908,000), and the weighted average number of ordinary shares of 3,365,989,682 (2018: 3,391,088,497) in issue during the year.

During the year ended 31 December 2019, no adjustment has been made to the basic loss per share amount presented in respect of a dilution as the impact of the share options had an anti-dilutive effect in the basic loss per share amounts presented.

During the year ended 31 December 2018, the calculation of diluted earnings per share amount was based on the profit for the year attributable to ordinary equity holders of the Company of HK$360,908,000. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year ended 31 December 2018, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all dilutive potential ordinary shares of share options into ordinary shares during the year of 3,407,641,645.

Notes to Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Equipment and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Motor yacht HK$'000	Leasehold improvements HK$'000	Total HK$'000
2019							
Cost:							
At 31 December 2018	213,166	923,978	5,816	14,143	6,012	18,772	1,181,887
Effect of adoption of HKFRS 16	(131,857)	–	–	–	–	–	(131,857)
At 1 January 2019 (restated)	81,309	923,978	5,816	14,143	6,012	18,772	1,050,030
Additions	–	83,809	223	300	–	–	84,332
Acquisition of subsidiaries (note 39)	–	–	691	–	–	524	1,215
Disposals/write-off	–	(40,596)	(385)	(4,612)	(6,012)	(5,641)	(57,246)
Disposal of subsidiaries (note 40(b))	–	–	(432)	–	–	(524)	(956)
At 31 December 2019	81,309	967,191	5,913	9,831	–	13,131	1,077,375
Accumulated depreciation and impairment:							
At 31 December 2018	59,378	830,473	4,233	11,568	6,012	15,953	927,617
Effect of adoption of HKFRS 16	(28,549)	–	–	–	–	–	(28,549)
At 1 January 2019 (restated)	30,829	830,473	4,233	11,568	6,012	15,953	899,068
Acquisition of subsidiaries (note 39)	–	–	623	–	–	418	1,041
Depreciation provided during the year	4,065	44,386	523	1,425	–	1,434	51,833
Disposals/write-off	–	(35,932)	(312)	(4,532)	(6,012)	(4,244)	(51,032)
Disposal of subsidiaries (note 40(b))	–	–	(393)	–	–	(439)	(832)
At 31 December 2019	34,894	838,927	4,674	8,461	–	13,122	900,078
Net carrying amount:							
At 31 December 2019	46,415	128,264	1,239	1,370	–	9	177,297
At 1 January 2019 (restated)	50,480	93,505	1,583	2,575	–	2,819	150,962

Notes to Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	Land and buildings *HK$'000*	Equipment and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Motor yacht *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
2018							
Cost:							
At 1 January 2018	213,166	898,164	5,986	14,312	6,098	18,970	1,156,696
Additions	–	58,160	606	50	–	–	58,816
Disposals/write-off	–	(32,249)	(776)	(219)	(86)	(198)	(33,528)
Disposal of subsidiaries (note 40(f))	–	(93)	–	–	–	–	(93)
Exchange realignment	–	(4)	–	–	–	–	(4)
At 31 December 2018	213,166	923,978	5,816	14,143	6,012	18,772	1,181,887
Accumulated depreciation and impairment:							
At 1 January 2018	51,590	826,041	4,309	10,273	6,098	14,265	912,576
Depreciation provided during the year	7,788	36,737	540	1,514	–	1,886	48,465
Disposals/write-off	–	(32,226)	(616)	(219)	(86)	(198)	(33,345)
Disposal of subsidiaries (note 40(f))	–	(79)	–	–	–	–	(79)
At 31 December 2018	59,378	830,473	4,233	11,568	6,012	15,953	927,617
Net carrying amount:							
At 31 December 2018	153,788	93,505	1,583	2,575	–	2,819	254,270
At 31 December 2017	161,576	72,123	1,677	4,039	–	4,705	244,120

Certain of the Group's buildings (2018: land and buildings) were pledged to a bank as security for certain banking facilities granted to the Group (note 26).

Certain of the Group's equipment and machinery are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

15. INVESTMENT PROPERTY

	2019 HK$'000	2018 HK$'000
Carrying amount at beginning of year	–	–
Addition from acquisition of subsidiaries (note 39)	700,000	–
Fair value change (note 7)	(105,000)	–
Disposal of subsidiaries (note 40(b))	(595,000)	–
Carrying amount at end of year	–	–

The Group's investment property represented a commercial property in Hong Kong. The fair value of the investment property on acquisition date was commercially agreed between the seller and the Group at HK$700,000,000 pursuant to the sale and purchase agreement of the acquisition of the entity holding the investment property on an arm's length basis. The fair value of the investment property held by the subsidiary being disposed of on 19 August 2019 was estimated by management with reference to the cash consideration of HK$595,000,000 of the disposal. A change of fair value of the investment property of HK$105,000,000, representing the difference between the fair value of the investment property as at acquisition date and the disposal date, is recognised in profit or loss for the year ended 31 December 2019.

The investment property was leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

Fair value hierarchy

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

	Commercial properties HK$'000
Carrying amount at 1 January 2018 (included in assets of disposal groups held for sale)	227,814
Disposal of a subsidiary (note 40(d))	(235,810)
Exchange realignment	7,996
Carrying amount at 31 December 2018 and 1 January 2019	–
Acquisition of subsidiaries (note 39)	700,000
Fair value change	(105,000)
Disposal of subsidiaries (note 40(b))	(595,000)
Carrying amount at 31 December 2019	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

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16. LEASES

The Group as a lessee

The Group has leasehold land and lease contracts for various office properties, warehouses and machinery used in its operation. Lump sum payments were made upfront to acquire the leased land from the owner with lease periods of 35 to 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of office properties and warehouses generally have lease terms between 2 and 3 years. Machinery generally has lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and movements during the year are as follows:

	Land *HK$000*	Buildings *HK$'000*	Total *HK$'000*
As at 1 January 2019	103,308	43,668	146,976
Additions	–	10,250	10,250
Depreciation charge	(3,723)	(11,833)	(15,556)
Impairment recognised	–	(17,757)	(17,757)
Termination of lease	–	(5,781)	(5,781)
As at 31 December 2019	99,585	18,547	118,132

Certain of the Group's land was pledged to a bank as security for certain banking facilities granted to the Group (note 26).

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2019 *HK$'000*
Carrying amount at 1 January	43,668
New leases	10,250
Accretion of interest recognised during the year	1,761
Payments	(31,040)
Termination of lease	(5,781)
Carrying amount at 31 December	18,858
Analysed into:	
Current portion	10,121
Non-current portion	8,737

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

16. LEASES *(Cont'd)*

The Group as a lessee *(Cont'd)*

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

	2019
	HK$'000
Interest on lease liabilities	1,761
Depreciation of right-of-use assets	15,556
Impairment of right-of-use assets	17,757
Expenses relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	6,363
Expenses relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	9,292
Total amount recognised in profit or loss	50,729

(d) The total cash outflows for leases are disclosed in note 34(c) to the financial statements.

The Group as a lessor

The Group leases certain of its equipment and machinery (note 14), investment property (note 15) and properties held for sale (note 11) under operating lease arrangements. The terms of the leases generally also require the tenants and customers to pay security deposits. Rental income recognised by the Group during the year was HK$17,904,000 (2018: HK$19,180,000), details of which are included in note 5 to the financial statements.

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

	2019	2018
	HK$'000	*HK$'000*
Within one year	7,420	8,171
After one year but within two years	1,736	3,830
After two years but within three years	–	876
After three years but within four years	–	172
	9,156	13,049

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17. PROPERTIES UNDER DEVELOPMENT

	2019 *HK$'000*	2018 *HK$'000*
Balance at beginning of year	**7,476,000**	13,214,929
Additions during the year	**38,195**	322,694
Interest capitalised (note 6)	**17,254**	164,029
Disposal of subsidiaries (notes 40(a) and 40(e))	**(7,531,449)**	(5,772,749)
Cost at end of year	**–**	7,928,903
Less: provision	**–**	(452,903)
Balance at end of year	**–**	7,476,000

As at 31 December 2018, a write-down of HK$452,903,000 was recognised with reference to a valuation report performed by an independent property valuer based on expected future selling prices and costs necessary to complete the sale of the property.

As at 31 December 2018, the Group's properties under development with an aggregate carrying amount of HK$7,476,000,000 were pledged to secure certain of the Group's bank loans (note 26).

18. INVENTORIES

	2019 *HK$'000*	2018 *HK$'000*
Raw materials	**7,702**	19,058
Spare parts and others	**14,861**	13,254
	22,563	32,312

19. TRADE RECEIVABLES

The Group has established credit policies that follow local industry standards. The average normal credit periods offered to trade customers are within 30 days, and are subject to periodic review by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

	2019 *HK$'000*	2018 *HK$'000*
Trade receivables	**227,649**	167,164
Impairment	**(989)**	(29)
	226,660	167,135

19. TRADE RECEIVABLES *(Cont'd)*

Included in the Group's trade receivables is an amount due from a related company of HK$280,000 (2018: related companies of HK$32,291,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

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

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**216,429**	164,729
91 to 180 days	**9,676**	1,296
181 to 365 days	**555**	558
Over 365 days	**–**	552
	226,660	167,135

The movements in the loss allowance for individual impairment of trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of the year	**29**	29
Impairment loss recognised (note 7)	**985**	–
Impairment loss written off	**(25)**	–
At end of year	**989**	29

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on remaining trade receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by service type, customer type and financial position of the customer). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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19. TRADE RECEIVABLES *(Cont'd)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due				
	Current	Less than 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Expected credit losses rate	**0.01%**	**0.39%**	**17.80%**	**55.10%**	**100%**	**0.43%**
Gross carrying amount (HK$'000)	**204,730**	**21,278**	**349**	**1,058**	**234**	**227,649**
Expected credit losses (HK$'000)	**28**	**82**	**62**	**583**	**234**	**989**

As at 31 December 2018

		Past due				
	Current	Less than 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Expected credit losses rate	0%	0%	0%	0%	0.05%	0.02%
Gross carrying amount (HK$'000)	131,970	33,441	671	502	580	167,164
Expected credit losses (HK$'000)	–	–	–	–	29	29

20. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2019 *HK$'000*	31 December 2018 *HK$'000*	1 January 2018 *HK$'000*
Contract assets arising from:			
Construction services	**1,113,816**	943,137	708,118
Others	**1,653**	1,325	596
	1,115,469	944,462	708,714
Impairment	**(2,048)**	(2,048)	–
	1,113,421	942,414	708,714

The excess of cumulative revenue recognised in profit or loss over the cumulative billings for construction services is recognised as contract assets. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2019 and 2018 was the result of the increase in the ongoing provision of construction services at the end of each of the years. The Group's trading terms and credit policy with customers are disclosed in note 19 to the financial statements.

20. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Cont'd)*

(a) Contract assets *(Cont'd)*

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**960,167**	708,425
After one year	**153,254**	233,989
Total contract assets	**1,113,421**	942,414

The movements in the loss allowance for impairment of contract assets are as follows:

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the year	**2,048**	–
Impairment loss (note 7)	**–**	2,048
At end of year	**2,048**	2,048

Included in the above impairment allowance for contract assets is an allowance for an individually impaired contract asset of HK$2,048,000 (2018: HK$2,048,000) which was considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full. Except for the specific impairment allowance mentioned above, an impairment analysis is performed at each reporting date on the remaining contract assets using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases, the expected credit losses of contract assets were minimal as at 31 December 2019 and 2018.

Included in contract assets is an amount due from a related company of HK$959,000 (2018: HK$1,254,000), which represents a retention receivable and is recoverable on credit terms similar to those offered to the major customers of the Group.

(b) Contract liabilities

	31 December 2019	31 December 2018	1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities arising from:			
Construction services	**46,833**	46,414	125,339

The excess of cumulative billings for construction work over the cumulative work revenue recognised in profit or loss is recognised as contract liabilities.

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21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Deposits for acquisition of items of property, plant and equipment		**371**	335
Advance payment for capital injection to a fund	(i)	**–**	367,700
Consideration receivable	(ii)	**–**	581,597
Due from Tysan Building Construction Company Limited	(iii)	**10**	102
Prepayments and deposits		**19,859**	39,272
Other receivables		**21,710**	46,935
Less: Impairment allowance		**(1,467)**	(293)
		40,483	1,035,648
Less: Prepayments, deposits and other receivables classified as non-current assets		**(2,008)**	(2,197)
		38,475	1,033,451

Notes:

(i) Balance represented an advance payment for capital injection of HK$367,700,000 made during the year ended 31 December 2018 to Hengqin Zhonghang Equity Investment Fund Partnership (Limited Partnership), of which the general partner and the initial limited partner are subsidiaries of HNA Group Co., Ltd. ("HNA Group"), which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company. The advance payment was fully refunded to the Group during the year.

(ii) Balance represented the remaining consideration receivables of RMB510,800,000 (equivalent to approximately HK$581,597,000) from Hainan HNA Shou Fu Investment Co., Ltd. ("HNA Shou Fu"), a subsidiary of HNA Group, for disposal of subsidiaries, details of which are set out in note 40(d) to the financial statements. The balance was fully settled to the Group during the year.

(iii) Balance represented an amount due from Tysan Building Construction Company Limited ("TBC"), a related company of the Company, of HK$10,000 (2018: HK$102,000) which is unsecured, interest-free and repayable on demand. TBC is controlled by Mr. Fung, who is an executive director of the Company.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Cont'd)*

The movements in impairment allowance of other receivables are as follows:

	2019 **HK$'000**	2018 HK$'000
At beginning of year	**293**	5,207
Impairment losses recognised/(written back) (note 7)	**1,174**	(115)
Impairment losses written off	–	(411)
Disposal of subsidiaries	–	(4,180)
Exchange realignment	–	(208)
At end of year	**1,467**	293

In the opinion of the directors, the impairment of HK$1,467,000 (2018: HK$293,000) was specific in nature which was considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full. Expected credit losses on the remaining other receivables balances are estimated by applying a loss rate approach with reference to historical loss record of the Group. Based on historical loss records and economic conditions, the directors are of the opinion that the expected credit losses of the remaining other receivables are minimal.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2019** **HK$'000**	2018 HK$'000
Unlisted investment funds, at fair value	(i)	–	96,519
Unlisted wealth management investment in a fund, at fair value	(ii)	–	362,011
Convertible bonds, at fair value	(iii)	–	833,732
		–	1,292,262

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Cont'd)*

Notes:

(i) HKICIM Fund II, L.P. ("Fund II"), in which the Group's interests is 12.07% (represented capital contribution of HK$728,000,000), and HKICIM Fund III, L.P. ("Fund III"), in which the Group's interests is 16.57% (represented capital contribution of HK$633,160,000), were set up with Hisea International Co., Ltd. ("Hisea") in prior years. Hisea is a wholly-owned subsidiary of HNA Holding Group Co., Ltd. ("HNA Holding Group"), which in turn is the holding company of HNA Finance I, the then controlling shareholder of the Company.

Fund II and Fund III (collectively, the "Funds") had primarily invested in Total Thrive Holdings Limited ("Total Thrive") and Sky Hero Developments Limited ("Sky Hero"), which through intermediate holding companies, hold two property development projects at Kai Tak, Kowloon. On 14 February 2018, the Funds disposed of their entire equity interests in Total Thrive and Sky Hero. Further details of this disposal were set out in the Company's announcement dated 12 February 2018.

During the year ended 31 December 2018, the Funds have returned the initial committed capital of HK$1,361,160,000 in total to the Group. The fair values of the Funds as at 31 December 2019 were nil (2018: HK$96,519,000) which were estimated with reference to the fair values of the underlying assets held by the Funds. During the year ended 31 December 2019, distributions from the Funds of HK$196,396,000 (2018: HK$17,626,000) were received and aggregate fair value gains of HK$99,877,000 (2018: HK$103,280,000) were resulted and included in "other income and gains" in the consolidated statement of profit of loss.

(ii) During the year ended 31 December 2018, the Group purchased an unlisted investment fund from a third party financial institution at a cost of HK$345,246,000 and was classified as held for trading. As at 31 December 2019, the fair value of the unlisted investment fund was HK$309,270,000 (2018: HK$362,011,000) based on a quoted price from the fund manager and a fair value loss of HK$52,741,000 was included in "other expenses, net" (2018: fair value gain of HK$16,765,000 was included in "other income and gains") in the consolidated statement of profit or loss during the year. As detailed in note 11 to the financial statements, upon signing of the sale and purchase agreement to dispose of the subsidiary of the Company holding this investment, this investment has been classified and included in assets of disposal groups classified as held for sale as at 31 December 2019.

(iii) On 30 June 2018, the Group subscribed for 3-year unsecured convertible bonds of an aggregate principal amount of HK$800,000,000, which bear interest at 8% per annum and carry a conversion option to convert the convertible bonds into 95% of the issued and outstanding share capital of Holistic Capital Investment Limited ("Holistic"), an indirectly wholly-owned subsidiary of Hong Kong Airlines Limited ("HKA"). The Group had the right to convert the bonds to issued share capital of Holistic at any time prior to the maturity date and to request early redemption of the bonds at any time after 31 December 2018 if the potential investment had not been consummated on or before 31 December 2018. The convertible bonds were irrevocably and unconditionally guaranteed by HKA and Hong Kong Air Cargo Carrier Limited, a subsidiary of HKA and the sole shareholder of the convertible bonds issuer.

During the year, the Group exercised its right of redemption in respect of the convertible bonds. The convertible bonds were fully redeemed at HK$883,467,000, representing the principal amount of HK$800,000,000 and related coupon interest of HK$83,467,000. Fair value gain of HK$49,735,000 was resulted and included in "other income and gains" in the consolidated statement of profit or loss during the year.

As at 31 December 2018, the fair value of the convertible bonds was HK$833,732,000, based on an external valuation report prepared by Vigers Appraisal and Consulting Limited ("Vigers"), an independent professional valuer. A fair value gain of HK$33,732,000 was resulted and included in "other income and gains" in the consolidated statement of profit or loss during the year ended 31 December 2018.

23. STRUCTURED DEPOSITS, CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED BANK BALANCES

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Structured deposits	(a)	**–**	580,686
Time deposits	(b)	**2,274,458**	2,000,000
Cash and bank balances			
– Non-pledged balances		**617,323**	854,257
– Pledged balances		**–**	37,469
– Restricted cash	(c)	**–**	1,430,897
Total cash and bank balances	(b)	**617,323**	2,322,623
Total time deposits and cash and bank balances		**2,891,781**	4,322,623
Less: Pledged and restricted bank balances			
– pledged for bank borrowings	26(d)	**–**	(37,469)
– restricted cash		**–**	(1,430,897)
		–	(1,468,366)
Cash and cash equivalents		**2,891,781**	2,854,257

	2019 **HK$'000**	2018 *HK$'000*
Denominated in:		
Renminbi ("RMB")	**391,910**	592,846
HK$	**2,499,704**	4,310,089
United States dollars ("US$")	**6**	241
Macao patacas ("MOP")	**120**	80
Other currencies	**41**	53
	2,891,781	4,903,309

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

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23. STRUCTURED DEPOSITS, CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED BANK BALANCES *(Cont'd)*

Notes:

(a) The structured deposits were wealth management products issued by a bank in Mainland China with fixed maturity dates and were classified as financial assets at fair value through profit or loss at 31 December 2018 as their contractual cash flows were not solely payments of principal and interest. The deposits were made for a period of 1 year. The interest rates on the structured deposits fluctuated based on changes in the London Interbank Offered Rate ("LIBOR"). The Group used structured deposits primarily to enhance the return on investment.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between 21 days and 3 months (2018: between 6 months and 1 year) depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

(c) In accordance with the terms and conditions set out in the relevant bank loan agreements, the cash are required to be deposited into a designated bank account and restricted to be used for the construction of the relevant properties.

24. TRADE AND RETENTION PAYABLES, ACCRUALS AND PROVISION

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

	2019	2018
	HK$'000	*HK$'000*
Trade payables:		
Within 90 days	**286,045**	370,655
91 to 180 days	**30**	879
Over 180 days	**144**	25
	286,219	371,559
Retention payables	**68,257**	74,348
Accruals	**220,078**	247,164
Provision	**37,262**	41,671
	611,816	734,742

The trade and retention payables are non-interest-bearing and are normally settled on 90-day terms.

As at 31 December 2019, retention payables amounting to HK$43,669,000 (2018: HK$43,131,000) were expected to be repayable within twelve months after the end of the reporting period.

Provision of the Group represented provision for foreseeable losses on construction contracts. During the year ended 31 December 2019, a provision of HK$10,152,000 was made and balance of HK$7,829,000 was utilised. In addition, a provision of HK$6,732,000 was reversed during the year ended 31 December 2019.

25. OTHER PAYABLES, DEPOSITS RECEIVED AND RECEIPTS IN ADVANCE

Other payables are non-interest-bearing and have an average term of one month.

26. INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Unsecured:						
Bank loan	4.0	2020	50,000	–	–	–
Secured:						
Bank loans	–	–	–	2.6–5.4	2019–2022	3,163,628
Instalment loans	2.5	2020–2031	66,712	2.6	2019–2031	70,664
			66,712			3,234,292
Total bank borrowings			116,712			3,234,292

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	54,135	232,952
In the second year	4,244	4,053
In the third to fifth years, inclusive	13,384	2,947,458
Beyond five years	44,949	49,829
	116,712	3,234,292
Portion due within one year, classified as current liabilities	(54,135)	(232,952)
Long term portion	62,577	3,001,340

As at 31 December 2019, the Group's secured bank borrowings were secured by mortgages over certain of leasehold land of HK$99,312,000 (note 16(a)) and buildings of HK$46,415,000 (note 14) of the Group.

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26. INTEREST-BEARING BANK BORROWINGS *(Cont'd)*

As at 31 December 2018, the Group's secured bank borrowings were secured by:

(a) mortgages over certain of land and buildings of the Group with a carrying amount of HK$153,505,000 (note 14);

(b) mortgages over properties under development of the Group with an aggregate carrying amount of HK$7,476,000,000 (note 17);

(c) charges over shares of certain subsidiaries of the Company;

(d) fixed charges over bank balances of the Group amounting to HK$37,469,000 (note 23); and

(e) floating charges over bank balances and prepayments and deposits of the Group amounting to HK$1,437,492,000 and HK$4,840,000.

In addition, the Company has executed guarantees in respect of borrowing facilities granted to certain of its subsidiaries (note 36(a)).

All of the bank borrowings of the Group bear interest at floating interest rates. The carrying amounts of the bank borrowings approximate to their fair values.

The Group's bank borrowings are denominated in Hong Kong dollars.

27. INTEREST-BEARING OTHER BORROWING

	2019			2018		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Unsecured:						
Other borrowing	–	–	–	6.9	2020–2021	300,000

	2019	2018
	HK$'000	*HK$'000*
Analysed into:		
Other borrowing repayable:		
In the third to fifth years, inclusive	–	300,000

The Group's other borrowing was unsecured, bore interest at 4.75% above the Hong Kong Interbank Offered Rate ("HIBOR") per annum and was repayable by 3 semi-annual equal instalments commencing from 9 January 2020. The Company had executed guarantees in respect of this borrowing. The other borrowing was denominated in Hong Kong dollars.

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28. GUARANTEED NOTES

During the year ended 31 December 2017, Silverbell Asia Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes with an aggregate principal amount of HK$305,000,000 (the "Guaranteed Notes") under a US$1,000,000,000 medium term note programme established by Silverbell Asia Limited on 7 April 2017.

The Guaranteed Notes bear interest at a fixed rate of 7% per annum payable semi-annually in arrears and will mature on 26 July 2020. The Guaranteed Notes are guaranteed by the Company.

The net proceeds of the Guaranteed Notes, after deducting the issue expenses of HK$10,849,000, were approximately HK$294,151,000.

During the year ended 31 December 2019, guaranteed notes with a principal amount of HK$264,300,000 were early redeemed at the request of the noteholders.

	2019 ***HK$'000***	2018 *HK$'000*
At beginning of year	**298,857**	295,343
Redemption	**(264,300)**	–
Amortisation of issue expenses	**5,833**	3,514
Carrying amount at end of year	**40,390**	298,857

The effective interest rate of the Guaranteed Notes is 8.37% per annum.

29. LEASE LIABILITIES

	2019			2018
	Effective interest rate (%)	**Maturity**	***HK$'000***	*HK$'000*
Current:				
Lease liabilities (note 16(b))	**5.375%**	**2020**	**10,121**	–
Non-current:				
Lease liabilities (note 16(b))	**5.375%**	**2021-2022**	**8,737**	–

	2019 ***HK$'000***	2018 *HK$'000*
Analysed into:		
Lease liabilities repayable:		
Within one year	**10,121**	–
In the second year	**8,618**	–
In the third to fifth years, inclusive	**119**	–
	18,858	–

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30. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Allowance in excess of related depreciation *HK$'000*	Withholding taxes *HK$'000*	Temporary difference arising from disposal groups classified as held for sale *HK$'000*	Total *HK$'000*
At 1 January 2018	(4,539)	(11,430)	(78,809)	(94,778)
Deferred tax credited/(charged) to the statement of profit or loss during the year	(1,792)	(10,113)	78,809	66,904
Withholding tax paid on repatriation of earnings from a subsidiary in Mainland China	–	10,527	–	10,527
Exchange realignment	–	119	–	119
At 31 December 2018 and 1 January 2019	**(6,331)**	**(10,897)**	**–**	**(17,228)**
Acquisition of subsidiaries (note 39)	**(1,885)**	**–**	**–**	**(1,885)**
Deferred tax credited/(charged) to the statement of profit or loss during the year	**754**	**(2,798)**	**–**	**(2,044)**
Withholding tax paid on repatriation of earnings from a subsidiary in Mainland China	**–**	**10,861**	**–**	**10,861**
Disposal of subsidiaries (note 40(b))	**2,007**	**–**	**–**	**2,007**
Exchange realignment	**–**	**80**	**–**	**80**
At 31 December 2019	**(5,455)**	**(2,754)**	**–**	**(8,209)**

30. DEFERRED TAX *(Cont'd)*

Deferred tax assets

	Depreciation in excess of related allowance *HK$'000*
At 1 January 2018	1,128
Deferred tax charged to the statement of profit or loss during the year	(761)
At 31 December 2018 and 1 January 2019	**367**
Deferred tax charged to the statement of profit or loss during the year	**(367)**
At 31 December 2019	**–**

As at 31 December 2018, deferred tax liabilities of HK$1,942,000 were included in assets/liabilities included in disposal groups classified as held for sale (note 11). During the year ended 31 December 2019, the relevant net deferred tax credited to the statement of profit or loss was HK$665,000 (2018: deferred tax charge of HK$2,263,000) with a net exchange realignment of HK$29,000. The deferred tax liabilities of HK$1,248,000 were disposed of upon completion of the Shenyang Disposal during the year (note 40(c)).

The Group has tax losses arising in Hong Kong of HK$286,100,000 (2018: HK$250,395,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

Shares

	2019 *HK$'000*	2018 *HK$'000*
Authorised:		
6,000,000,000 ordinary shares of HK$0.10 each	**600,000**	600,000
Issued and fully paid:		
3,366,035,709 (2018: 3,364,835,709) ordinary shares of HK$0.10 each	**336,603**	336,483

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31. SHARE CAPITAL *(Cont'd)*

Shares *(Cont'd)*

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

	Notes	Number of shares in issue	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
At 1 January 2018		3,402,497,709	340,249	10,055,937	10,396,186
Shares repurchased	(a)	(38,862,000)	(3,886)	(54,129)	(58,015)
Share options exercised	(b)	1,200,000	120	2,481	2,601
At 31 December 2018 and 1 January 2019		**3,364,835,709**	**336,483**	**10,004,289**	**10,340,772**
Share options exercised	(c)	**1,200,000**	**120**	**2,481**	**2,601**
Transfer to contributed surplus	(d)	**–**	**–**	**(10,004,289)**	**(10,004,289)**
At 31 December 2019		**3,366,035,709**	**336,603**	**2,481**	**339,084**

Notes:

(a) During the year ended 31 December 2018, the Company purchased 38,862,000 of its own ordinary shares on the Hong Kong Stock Exchange for a total consideration of HK$58,015,000. The purchased shares were cancelled during the year ended 31 December 2018 and the issued share capital of the Company was reduced by the par value of approximately HK$3,886,000. The premium paid on the purchase of the shares of HK$54,129,000, including transaction costs, had been charged to the share premium of the Company.

(b) During the year ended 31 December 2018, the subscription rights attaching to 1,200,000 share options were exercised at the subscription price of HK$1.75 per share (note 32), resulting in the issue of 1,200,000 shares for a total consideration of HK$2,100,000. An amount of HK$501,000 was transferred from share option reserve to share capital and share premium upon issue of the relevant shares.

(c) During the year ended 31 December 2018, the subscription rights attaching to 1,200,000 share options were exercised at the subscription price of HK$1.75 per share (note 32) at a total consideration of HK$2,100,000. The consideration was received by the Group and recorded as receipt in advance as at 31 December 2018. The shares related those share options were issued during the year ended 31 December 2019. An amount of HK$501,000 was transferred from share option reserve to share capital and share premium upon issue of the relevant shares.

(d) Pursuant to a special resolution passed at the annual general meeting of the Company held on 12 June 2019, an amount of approximately HK$10,004,289,000 standing to the credit of share premium account of the Company as at 31 December 2018 was reduced and the corresponding balance arising therefrom was credited to the contributed surplus account of the Company.

Share options

Details of the Company's share option scheme are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

On 8 August 2012, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue at any time. No share option has been granted under the Share Option Scheme during the year.

A summary of the Share Option Scheme of the Company is as follows:

Purpose	To enable the Board to grant options to reward eligible participants who, in the sole and absolute opinion of the Board, would contribute or benefit or had contributed or benefited to the business, development and growth (and any other aspect whatsoever) of the Group and/or any of the entities in which any member of the Group holds any equity interest, and to provide incentives to eligible participants to perform their best in achieving the goals of the Group in the interests and benefits of the Company and the shareholders of the Company as a whole, while at the same time allowing the eligible participants to share the fruits of the Company's business achieved through their effort and contribution, as well as to enable the Group to recruit high quality employees who are valuable to the management and long term business and financial goals and success of the Group.
Eligible participants	A person who is entitled to participate in the Share Option Scheme, being any full-time or part-time employees, executives, officers or directors (including executive, non-executive and independent non-executive directors) of the Company or any of the subsidiaries or any of the interested entities and any contractors, advisors, consultants, agents, suppliers or providers (of, for example, goods, plants and machineries, materials or services), customers, distributors, business ally or joint venture partners of the Group who, in the sole and absolute opinion of the Board, will contribute or benefit or have contributed or benefited to the business, development and growth (and any other aspect whatsoever) of the Company and/or any of the subsidiaries and/or any of the interested entities.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	87,266,590 ordinary shares and 10% of the issued share capital, on the basis of 872,665,903 shares in issue as at the date of the Company's special general meeting on 8 August 2012.
Maximum entitlement of each participant	Shall not exceed 1% of the issued share capital of the Company in any 12-month period.
Period within which the securities must be taken up under an option	To be determined by the Board on a case-to-case basis at its absolute discretion and notified to the grantee thereof, provided that the expiry date of the said period shall not be later than ten (10) years from the date of grant of the option concerned.

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32. SHARE OPTION SCHEME *(Cont'd)*

A summary of the Share Option Scheme of the Company is as follows: *(Cont'd)*

Minimum period for which an option must be held before it can be exercised	To be determined at the discretion of the Board.
Amount payable on acceptance	Nil
Basis for determining the exercise price	In respect of any particular option: the price per share payable to the Company on the exercise of the option as may be decided upon and prescribed by the Board on a case-to-case basis, bearing in mind the purpose of the Share Option Scheme, in its absolute discretion upon the grant of the option, provided that such exercise price shall not be less than the highest of the following: (a) the nominal value of a share; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day; and (c) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant of the option, or where applicable, the exercise price for the option concerned (referred to (a) to (c) above) as may be adjusted by the Board from time to time pursuant to the rules of the Share Option Scheme concerning adjustments of, inter alia, the exercise price upon the occurrence of any relevant event as defined in the Share Option Scheme.
The remaining life of the scheme	The Share Option Scheme remains in force for a period of ten (10) years commencing from 8 August 2012 and expiring at the close of business hours of the Company on 7 August 2022.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

32. SHARE OPTION SCHEME *(Cont'd)*

A summary of movement of the Share Option Scheme is as follows:

	2019		2018	
	Weighted average exercise price ***HK$ per share***	**Number of options** ***'000***	Weighted average exercise price *HK$ per share*	Number of options *'000*
At beginning of year	**1.79**	**316,130**	–	–
Granted during the year	–	–	1.78	385,830
Exercised during the year	–	–	1.75	(1,200)
Exercised but shares not yet allotted during the year	–	–	1.75	(1,200)
Lapsed during the year	**1.75**	**(4,720)**	1.75	(67,300)
Cancelled during the year	**1.79**	**(311,410)**	–	–
At end of year	–	–	1.79	316,130

The exercise prices and exercise periods of the share options outstanding as at 31 December 2018 are as follows:

Number of options *'000*	Exercise price* *HK$ per share*	Exercise periods
99,070	1.75	20-7-2018 to 19-7-2028
97,370	1.75	1-1-2019 to 19-7-2028
42,760	1.75	1-1-2020 to 19-7-2028
37,405	1.90	18-10-2018 to 17-10-2028
37,405	1.90	1-1-2019 to 17-10-2028
2,120	1.90	1-1-2020 to 17-10-2028
316,130		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year ended 31 December 2018 was HK$201,500,000 (HK$0.45 to HK$0.59 each), of which the Group recognised a share option expense of HK$14,425,000 (2018: HK$160,060,000) during the year.

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32. SHARE OPTION SCHEME *(Cont'd)*

The fair value of equity-settled share options granted during the year ended 31 December 2018 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used:

Date of grant	20 July 2018	18 October 2018
Dividend yield (%)	5.4	5.5
Expected volatility (%)	50	50
Risk-free interest rate (%)	2.155	2.424
Expected life of option (year)	10	10
Weighted average share price (HK$ per share)	1.75	1.90

During the year, a total of 4,720,000 (2018: 67,300,000) share options lapsed upon resignation of the relevant directors and employees, and a total of 1,800,000 (2018: Nil) share options were cancelled according to the terms of the Share Option Scheme. In addition, a total of 309,610,000 (2018: Nil) share options were cancelled following the close of the mandatory unconditional general offer in cash by Times Holdings II for all the issued shares and to make comparable offers to the option holders for all outstanding share options.

1,200,000 share options exercised during the year ended 31 December 2018 resulted in the issue of 1,200,000 ordinary shares of the Company and new share capital of HK$120,000 and share premium of HK$2,481,000 (before issue expenses), as detailed in note 31(b) to the financial statements. Furthermore, another 1,200,000 share options exercised during the year ended 31 December 2018 resulted in the issue of 1,200,000 ordinary shares of the Company during the year ended 31 December 2019 and new share capital of HK$120,000 and share premium of HK$2,481,000 (before issue expenses), as further detailed in note 31(c) to the financial statements.

At the end of the reporting period and as the date of approval of these financial statements, the Company had no share options outstanding under the Share Option Scheme.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries registered in the PRC has been transferred to statutory reserves which are restricted as to use.

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34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$10,250,000 and HK$10,250,000, respectively, in respect of lease arrangements for buildings (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Trade and retention payables, accruals and provision *HK$'000*	Dividend Payable *HK$'000*	Lease liabilities *HK$'000*	Interest-bearing bank borrowings *HK$'000*	Interest-bearing other borrowing *HK$'000*	Guaranteed notes *HK$'000*	Trade and retention payables and accruals included in disposal groups *HK$'000*
At 31 December 2018	734,742	–	–	3,234,292	300,000	298,857	118,246
Effect of adoption of HKFRS 16	–	–	43,668	–	–	–	–
At 1 January 2019 (restated)	734,742	–	43,668	3,234,292	300,000	298,857	118,246
Changes from financing activities	(54,714)	(7,438,939)	(31,040)	(182,952)	(300,000)	(266,943)	(8,225)
New leases	–	–	10,250	–	–	–	–
Termination of lease	–	–	(5,781)	–	–	–	–
Interest expenses	16,393	–	1,761	1,435	–	8,476	13,974
Interest capitalised	17,254	–	–	–	–	–	–
Dividends declared	–	9,121,957	–	–	–	–	–
Changes classified as operating cash flows	(70,765)	–	–	–	–	–	(50,785)
Acquisition of subsidiaries	636	–	–	–	–	–	–
Disposal of subsidiaries	(31,730)	–	–	(2,936,063)	–	–	(73,030)
Exchange realignment	–	–	–	–	–	–	(180)
At 31 December 2019	611,816	1,683,018	18,858	116,712	–	40,390	–

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34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*

(b) Changes in liabilities arising from financing activities *(Cont'd)*

2018

	Trade and retention payables, accruals and provision *HK$'000*	Other payables, deposits received and receipt in advance *HK$'000*	Interest-bearing bank borrowings *HK$'000*	Interest-bearing other borrowing *HK$'000*	Guaranteed notes *HK$'000*	Trade and retention payables and accruals included in disposal groups *HK$'000*
At 1 January 2018	614,680	34,395	5,880,017	–	295,343	280,400
Changes from financing activities	(196,445)	2,100	(2,651,353)	300,000	–	(17,595)
Interest expenses	45,537	–	–	–	3,514	11,533
Interest capitalised	158,401	–	5,628	–	–	–
Changes classified as operating cash flows	127,675	(26,662)	–	–	–	(159,191)
Changes classified as investing cash flows	(15,106)	(6,078)	–	–	–	3,357
Exchange realignment	–	–	–	–	–	(258)
At 31 December 2018	734,742	3,755	3,234,292	300,000	298,857	118,246

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 *HK$'000*
Within operating activities	**15,655**
Within financing activities	**31,040**
	46,695

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*

(d) Total taxes paid

The total taxes paid during the year were:

	2019	2018
	HK$'000	*HK$'000*
Operating activities:		
Hong Kong profits tax refunded/(paid)	**30,770**	(1,411)
Overseas taxes paid	**(23,823)**	(30,692)
	6,947	(32,103)
Investing activities:		
Overseas taxes paid	**(56,820)**	(84,238)
	(49,873)	(116,341)

35. COMMITMENTS

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

	2019	2018
	HK$'000	*HK$'000*
Property, plant and equipment:		
– contracted, but not provided for	**68,322**	692
Construction works relating to properties under development		
– contracted, but not provided for	**–**	20,916

Notes to Financial Statements

31 December 2019

35. COMMITMENTS *(Cont'd)*

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties, warehouses, staff quarters and machinery under operating lease arrangements. Leases for buildings were negotiated for terms ranging from one to three years, and those for machinery were for terms ranging between twelve and fourteen months.

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

	2018 *HK$'000*
Within one year	29,874
In the second to fifth years, inclusive	30,219
	60,093

36. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Guarantees in respect of performance bonds in relation to subsidiaries	**403,267**	325,219

(b) As at 31 December 2018, the Group provided guarantees in respect of mortgage facilities granted by Shenyang Housing Fund Management Center relating to the mortgage loans arranged for purchases of certain properties developed by a subsidiary of the Company and the outstanding mortgage loans under these guarantees amounting to HK$4,645,000.

The Group's guarantee period started from the dates of grant of the relevant mortgage loans and ended upon issuance of the relevant ownership certificates.

The fair value of the guarantees was not significant and the directors considered that in case of default in payments, the net realisable value of the related properties could cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision had been made for these guarantees in the financial statements.

37. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 26 to the financial statements.

38. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Outstanding balances with related parties

Details of the Group's balances with its related companies as at the end of the reporting period are included in notes 11, 19, 20 and 21, respectively, to the financial statements.

Particulars of amounts due from related companies, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

Name	31 December 2019 *HK$'000*	Maximum amount outstanding during the year *HK$'000*	31 December 2018 *HK$'000*
TBC	1,249	1,506	1,460
Fund III	–	30,639	24,462
HKICIM Fund V, L.P. ("Fund V")	–	12,575	7,726
HNA Shou Fu	–	600,343	581,597
	1,249		615,245

Fund V was a non-wholly-owned subsidiary of HNA Holding Group, which in turn was an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company.

(b) Compensation of key management personnel of the Group

	2019 *HK$'000*	2018 *HK$'000*
Short term employee benefits	83,261	69,750
Equity-settled share option expense	6,202	133,554
Post-employment benefits	108	159
Total compensation paid to key management personnel	89,571	203,463

Further details of directors' remuneration are included in note 8 to the financial statements.

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38. RELATED PARTY TRANSACTIONS *(Cont'd)*

(c) Other transactions with related companies of the Group:

(1) Contracted and subcontracted works with related companies

(i) During the year ended 31 December 2019, TBC subcontracted rental and engineering works relating to tower cranes of approximately HK$1,372,000 (2018: HK$32,000) to the Group.

(ii) During the year ended 31 December 2018, the Group contracted building and construction works of approximately HK$5,915,000 to TBC.

(2) During the period from 1 January 2019 to 27 March 2019, the Group recorded a management fee income of HK$14,208,000 (2018: HK$60,300,000) from Fund II, HK$9,004,000 (2018: HK$37,166,000) from Fund III and HK$7,068,000 (2018: HK$24,740,000) from Fund V, respectively.

Upon the completion of the transfer of approximately 69.54% of issued shares of the Company by HNA Finance I to Times Holdings II on 27 March 2019, Fund II, Fund III and Fund V ceased to be related companies of the Company.

(3) During the period from 1 January 2019 to 27 March 2019, the Group was charged HK$19,000 (2018: HK$263,000) by Hainan Marine Construction Project Management Contracting Co., Limited ("Hainan Marine Construction") for the provision of BIM platform services. During the year ended 31 December 2018, the Group was also charged HK$58,000 by Hainan Marine Construction for the provision of BIM modelling services.

Hainan Marine Construction is a non-wholly-owned subsidiary of HNA Group, which in turn was the holding company of HNA Finance I, the then controlling shareholder of the Company. Upon the completion of the transfer of approximately 69.54% of issued shares of the Company by HNA Finance I to Times Holdings II on 27 March 2019, Hainan Marine Construction ceased to be a related company of the Company.

(4) During the period from 1 January 2019 to 27 March 2019, interest expenses of HK$1,976,000 (period from 1 May 2018 to 31 December 2018: HK$5,644,000) and HK$1,737,000 (period from 1 May 2018 to 31 December 2018: HK$5,889,000) were charged by Tysan Shanghai and Tysan Tianjin, respectively, according to the terms detailed in note 11(b).

Upon completion of Shanghai Disposal and Tianjin Disposal to HNA Shou Fu on 30 April 2018 as disclosed in note 40(d) to the financial statements, Tysan Shanghai and Tysan Tianjin became related companies of the Group. Upon the completion of the transfer of approximately 69.54% of issued shares of the Company by HNA Finance I to Times Holdings II on 27 March 2019, Tysan Shanghai and Tysan Tianjin ceased to be related companies of the Company.

38. RELATED PARTY TRANSACTIONS *(Cont'd)*

(c) Other transactions with related companies of the Group: *(Cont'd)*

(5) During the year ended 31 December 2019, the Group recorded licence income of HK$115,000 (2018: Nil) from TBC for sub-lease of a closed storage place.

(6) During the period from 1 January 2018 to 14 February 2018, the Group has a project development income of approximately HK$5,518,000 and HK$4,910,000 from Denco Properties Limited ("Denco") and Hongkong Island Construction Properties Co., Limited ("HKIC"), respectively.

Prior to the disposal of Total Thrive and Sky Hero, holding companies of Denco and HKIC, by Fund II and Fund III respectively on 14 February 2018 as detailed in note 22(i) to the financial statements, Denco and HKIC were both non-wholly-owned subsidiaries of HNA Group.

(7) During the year ended 31 December 2018, the Group disposed of items of property, plant and equipment of an aggregate carrying amount of HK$39,000 at a cash consideration of HK$19,000 to Tremend Yield Limited, a company ultimately controlled by Mr. Fung.

These transactions were entered into by the Group and its related companies in accordance with the terms of the respective agreements.

The related party transactions in respect of items (c)(1), (c)(2), (c)(3), (c)(5) and (c)(6) above, the disposals as detailed in notes 40(c), 40(d), 40(g) and 41 to the financial statements also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

39. BUSINESS COMBINATION

On 28 February 2019, Fundamental Assets IV Limited ("Fundamental Assets IV"), a wholly-owned subsidiary of the Company, and Jinshang International Investment Company Limited ("Jinshang International"), an independent third party, entered into a sale and purchase agreement, pursuant to which, Fundamental Assets IV agreed to purchase and Jinshang International agreed to sell the entire issued capital of Superior Choice Holdings Limited ("Superior Choice") and the loans owned by Superior Choice and its subsidiary to Jinshang International at cash consideration of HK$700,000,000 (subject to adjustment) (the "Superior Choice Acquisition"). The principal assets of Superior Choice comprised all the issued share capital of Excel Pointer Limited, the sole legal and beneficial owner of a property known as "CentreHollywood" located at No. 151 Hollywood Road, Hong Kong. The acquisition was completed on 28 February 2019 and the final consideration was agreed at HK$698,018,000.

Notes to Financial Statements

31 December 2019

39. BUSINESS COMBINATION *(Cont'd)*

The fair values of the identifiable assets and liabilities of Superior Choice and Excel Pointer Limited (collectively referred as the "Superior Choice Group") as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	14	174
Investment property	15	700,000
Prepayments, deposits and other receivables		369
Cash and cash equivalents		349
Trade payables and accruals		(636)
Other payables, deposits received and receipt in advance		(2,066)
Tax payable		(321)
Deferred tax liabilities	30	(1,885)
Loans from the shareholder		(338,687)
Total identifiable net assets at fair value		357,297
Loans from the shareholder assigned to the Group		338,687
Goodwill on acquisition		2,034
		698,018
Satisfied by:		
Cash consideration		698,018

The Group incurred transaction costs of HK$4,025,000 for this transaction of which HK$3,291,000 were recorded during the year ended 31 December 2019. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the net outflow of cash and cash equivalents in respect of the Superior Choice Acquisition during the year was as follows:

	HK$'000
Cash consideration	(698,018)
Cash and cash equivalents acquired	349
Net outflow of cash and cash equivalents included in cash flows from investing activities	(697,669)
Transaction costs of the acquisition included in cash flows from operating activities	(3,291)
	(700,960)

Superior Choice Group was subsequently disposed of by the Group on 19 August 2019, details of which are disclosed in note 40(b) to the financial statements. Since the acquisition and up to its disposal on 19 August 2019, Superior Choice Group contributed HK$4,288,000 to the Group's revenue and incurred a net loss of HK$102,736,000 (excluded the loss of disposal of Superior Choice Group of HK$502,000) to the consolidated loss for the year ended 31 December 2019.

Details of the Superior Choice Acquisition were set out in the Company's announcement dated 28 February 2019.

40. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Twinpeak Assets Limited

For the year ended 31 December 2019

On 15 February 2019, Omnilink Assets Limited ("Omnilink"), a wholly-owned subsidiary of the Company, disposed of its entire equity interest in Twinpeak Assets Limited and assigned all amounts which Twinpeak Assets Limited owed to Omnilink as at that date to an independent third party, Fabulous New Limited, at a final cash consideration of HK$5,192,449,000 (the "Twinpeak Disposal"). The principal assets of Twinpeak Assets Limited comprised all the issued share capital of Milway Development Limited, the owner of the development under construction on New Kowloon Inland Lot No. 6563 on Kai Tak Area 1L Site 2, Kai Tak, Kowloon, Hong Kong.

	HK$'000
Net liabilities disposed of:	
Properties under development	**7,531,449**
Prepayments, deposits and other receivables	**118**
Pledged bank balances	**37,469**
Restricted cash	**1,276,396**
Cash and cash equivalents	**7,064**
Trade and retention payables and accruals	**(31,378)**
Other payables, deposits received and receipt in advance	**(80)**
Interest-bearing bank borrowings	**(2,936,063)**
Loan from the Group	**(6,489,641)**
	(604,666)
Loan from the Group assigned	**6,489,641**
Loss on disposal of subsidiaries debited to profit or loss	**(692,526)**
	5,192,449
Satisfied by:	
Cash consideration	**5,192,449**

An analysis of the net inflow of cash and cash equivalents in respect of the Twinpeak Disposal during the year was as follows:

	HK$'000
Cash consideration	**5,192,449**
Pledged bank balances disposed of	**(37,469)**
Cash and cash equivalents disposed of	**(7,064)**
Net inflow of cash and cash equivalents in respect of the Twinpeak Disposal	**5,147,916**

Details of the Twinpeak Disposal were set out in the Company's announcements dated 1 February 2019 and 15 February 2019 and the circular dated 25 February 2019.

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40. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

(b) Disposal of Superior Choice

For the year ended 31 December 2019

On 19 August 2019, Fundamental Assets IV disposed of its entire equity interest in Superior Choice and assigned all loans owing by Superior Choice to Fundamental Assets IV as at that date to an independent third party, New Pursue Limited, at a cash consideration of HK$592,787,000 (the "Superior Choice Disposal"). The principal assets of Superior Choice comprised all the issued share capital of Excel Pointer Limited, the sole legal and beneficial owner of a property known as "CentreHollywood" located at No. 151 Hollywood Road, Hong Kong.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	**124**
Investment property	**595,000**
Goodwill	**2,034**
Trade receivables	**564**
Prepayments, deposits and other receivables	**463**
Cash and cash equivalents	**137**
Trade payables and accruals	**(352)**
Other payables, deposits received and receipt in advance	**(2,039)**
Tax payable	**(635)**
Deferred tax liabilities	**(2,007)**
Loans from the Group	**(336,695)**
	256,594
Loans from the Group assigned	**336,695**
Loss on disposal of subsidiaries debited to profit or loss	**(502)**
	592,787
Satisfied by:	
Cash consideration	**592,787**

An analysis of the net inflow of cash and cash equivalents in respect of the Superior Choice Disposal during the year was as follows:

	HK$'000
Cash consideration	**592,787**
Cash and cash equivalents disposed of	**(137)**
Net inflow of cash and cash equivalents in respect of the Superior Choice Disposal	**592,650**

40. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

(c) Disposal of Tysan Shenyang

For the year ended 31 December 2019

On 13 November 2017, Sparkle Key Limited (the "Shenyang Seller"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Hainan HNA Infrastructure Investment Group Co., Ltd., a company established in the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange and a subsidiary of HNA Group, for disposal of the Shenyang Seller's entire equity interest in Tysan Shenyang at a cash consideration of RMB762 million (the "Shenyang Disposal"). Tysan Shenyang is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Pinnacle, in Shenyang. It primarily derived its revenue from the sale of residential properties. The Shenyang Disposal was completed on 27 November 2019.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	**1,932**
Properties held for sale	**1,083,719**
Trade receivables	**60**
Prepayments, deposits and other receivables	**2,950**
Tax prepaid	**4,990**
Cash and cash equivalents	**47,106**
Trade payables and accruals	**(73,030)**
Deposits received and other payables	**(2,571)**
Contract liabilities	**(8,319)**
Other loans	**(327,251)**
Deferred tax liabilities	**(1,248)**
	728,338
Release of exchange fluctuation reserve	**38,405**
Gain on disposal of a subsidiary credited to profit or loss	**125,559**
	892,302
Satisfied by:	
Cash consideration	**892,302**

An analysis of the net inflow of cash and cash equivalents in respect of the Shenyang Disposal during the year was as follows:

	HK$'000
Cash consideration	**892,302**
Cash and cash equivalents disposed of	**(47,106)**
Net inflow of cash and cash equivalents in respect of the Shenyang Disposal	**845,196**

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40. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

(d) Disposal of Tysan Shanghai and Tysan Tianjin

For the year ended 31 December 2018

On 13 November 2017, Great Regent Investments Limited, Shanghai Changning Duncan Property Consulting Company Limited, Red Shine Investment Limited and Carriway Limited (collectively, the "Shanghai Sellers"), each being a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with HNA Shou Fu, a subsidiary of HNA Group which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company, for disposal of the Shanghai Sellers' entire equity interests in Tysan Shanghai at a cash consideration of RMB585.8 million (the "Shanghai Disposal"). Tysan Shanghai is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Waterfront, in Shanghai. It primarily derived its revenue from the sales of residential property and to a relatively minor extent, leasing of property. The Shanghai Disposal was completed on 30 April 2018.

On 13 November 2017, Great Prosper Limited (the "Tianjin Seller"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with HNA Shou Fu for disposal of Tianjin Seller's entire equity interest in Tysan Tianjin at a cash consideration of RMB435.8 million (the "Tianjin Disposal"). Tysan Tianjin is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Riverside, in Tianjin. It primarily derived its revenue from the sales of residential property. The Tianjin Disposal was completed on 30 April 2018.

During the year ended 31 December 2018, cash consideration of RMB510,800,000 (equivalent to HK$632,625,000) was received. The remaining consideration of RMB510,800,000 (equivalent to HK$596,415,000) was received during the year ended 31 December 2019.

40. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

(d) Disposal of Tysan Shanghai and Tysan Tianjin *(Cont'd)*

For the year ended 31 December 2018 *(Cont'd)*

	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,291
Investment properties	235,810
Available-for-sale investment	1,239
Deferred tax assets	1,035
Loans to the Group	364,119
Properties held for sale	35,462
Properties under development	15,137
Amounts due from the Group	21,777
Trade receivables	421
Prepayments, deposits and other receivables	4,991
Cash and cash equivalents	321,209
Trade payables and accruals	(5,279)
Deposits received and other payables	(3,104)
Tax payable	(5,498)
Deferred tax liabilities	(42,856)
	946,754
Release of exchange fluctuation reserve	(72,962)
Release of statutory reserve	(48,750)
Gain on disposal of subsidiaries credited to profit or loss	440,209
	1,265,251
Satisfied by:	
Cash consideration	632,625
Other receivables	632,626
Total consideration	1,265,251

An analysis of the net inflow of cash and cash equivalents in respect of the Shanghai Disposal and Tianjin Disposal during the year ended 31 December 2018 was as follows:

	HK$'000
Cash consideration	632,625
Cash and cash equivalents disposed of	(321,209)
Net inflow of cash and cash equivalents in respect of the Shanghai Disposal and Tianjin Disposal	311,416

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40. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

(e) Disposal of Onwards Asia Limited

For the year ended 31 December 2018

On 16 May 2018, Omnilink disposed of its entire equity interest in Onwards Asia Limited and assigned all amounts which Onwards Asia Limited owed to Omnilink as at that date to an independent third party, Fabulous New Limited, at a cash consideration of HK$6,348,343,000 (the "Onwards Asia Disposal"). The principal assets of Onwards Asia Limited comprised all the issued share capital of Top Genius Holdings Limited, which engaged in a property development project at Kai Tak, Kowloon.

	HK$'000
Net liabilities disposed of:	
Properties under development	5,772,749
Cash and cash equivalents	4,081
Trade and retention payables and accruals	(14,893)
Loan from the Group	(5,820,366)
	(58,429)
Loan from the Group assigned	5,820,366
Gain on disposal of subsidiaries credited to profit or loss	586,406
	6,348,343
Satisfied by:	
Cash consideration	6,348,343

An analysis of the net inflow of cash and cash equivalents in respect of the Onwards Asia Disposal during the year ended 31 December 2018 was as follows:

	HK$'000
Cash consideration	6,348,343
Cash and cash equivalents disposed of	(4,081)
Net inflow of cash and cash equivalents in respect of the Onwards Asia Disposal	6,344,262

40. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

(f) Disposal of Fund House Limited

For the year ended 31 December 2018

On 2 October 2018, Beneficial Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent party to dispose of its entire equity interest in Fund House Limited and assigned all amounts which Fund House Limited owed to Beneficial Enterprises Limited, at a cash consideration of HK$17,000 (the "Fund House Disposal"). The principal assets of Fund House Limited comprise all issued share capital of Duncan Property Management (Shanghai) Co., Limited, which engaged in the provision of property management services in the PRC. The Fund House Disposal was completed on 12 October 2018.

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	14
Trade receivables	308
Prepayments, deposits and other receivables	52
Cash and cash equivalents	5,976
Trade payables and accruals	(213)
Other payables, deposits received and receipt in advance	(6,078)
Due to a related company	(2,825)
Loan from the Group	(10,939)
	(13,705)
Loan from the Group assigned	10,939
Release of exchange fluctuation reserve	(1,009)
Release of statutory reserve	(364)
Gain on disposal of subsidiaries credited to profit or loss	4,156
	17
Satisfied by:	
Cash consideration	17

An analysis of the net outflow of cash and cash equivalents in respect of the Fund House Disposal during the year ended 31 December 2018 was as follows:

	HK$'000
Cash consideration	17
Cash and cash equivalents disposed of	(5,976)
Net outflow of cash and cash equivalents in respect of the Fund House Disposal	(5,959)

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40. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

(g) Disposal of Upwealth International Limited and Fortune Fortress Limited

For the year ended 31 December 2018

On 14 December 2018, Tysan Investment disposed of its entire equity interests in Upwealth International Limited and Fortune Fortress Limited and assigned all amounts which Upwealth International Limited and Fortune Fortress Limited owed to Tysan Investment as at that date to Mr. Fung, the executive director of the Company, at cash considerations of HK$272,000 (the "Upwealth Disposal") and HK$92,000 (the "Fortune Fortress Disposal"), respectively. Upwealth International Limited and Fortune Fortress Limited were both investment holding companies which held a club membership.

	HK$'000
Net liabilities disposed of:	
Other assets	1,080
Loan from the Group	(1,281)
	(201)
Loan from the Group assigned	1,281
Loss on disposal of subsidiaries debited to profit or loss	(716)
	364
Satisfied by:	
Cash consideration	364

An analysis of the net inflow of cash and cash equivalents in respect of the Upwealth Disposal and Fortune Fortress Disposal during the year ended 31 December 2018 was as follows:

	HK$'000
Cash consideration and inflow of cash and cash equivalents in respect of the Upwealth Disposal and Fortune Fortress Disposal	364

41. DISPOSAL OF INTERESTS IN AN ASSOCIATE

On 14 December 2018, Tysan Investment and Mr. Fung entered into a sale and purchase agreement pursuant to which Tysan Investment disposed of its 50% equity interest in Turbo Dragon Limited ("Turbo Dragon"), and assigned the shareholder's loan of HK$386,000 owed by Turbo Dragon to Tysan Investment, at a cash consideration of HK$143,000. The disposal was completed on 14 December 2018. Upon completion of the disposal, the Group did not have any interest in Turbo Dragon. The gain on the disposal of HK$143,000, representing the difference between the consideration of HK$143,000 and the Group's interest in Turbo Dragon as at the date of disposal of nil, was recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2019

	Financial assets at amortised costs *HK$'000*	Financial assets at fair value through profit or loss - mandatorily designated as such *HK$'000*	Total *HK$'000*
Trade receivables	**226,660**	**–**	**226,660**
Other receivables	**20,253**	**–**	**20,253**
Cash and cash equivalents	**2,891,781**	**–**	**2,891,781**
	3,138,694	**–**	**3,138,694**

2018

	Financial assets at amortised costs *HK$'000*	Financial assets at fair value through profit or loss - mandatorily designated as such *HK$'000*	Total *HK$'000*
Financial assets at fair value through profit and loss	–	1,292,262	1,292,262
Trade receivables	167,135	–	167,135
Other receivables	628,341	–	628,341
Structured deposits	–	580,686	580,686
Pledged bank balances	37,469	–	37,469
Restricted cash	1,430,897	–	1,430,897
Cash and cash equivalents	2,854,257	–	2,854,257
	5,118,099	1,872,948	6,991,047

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42. FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Cont'd)*

Financial liabilities

	2019 Financial liabilities at amortised cost *HK$'000*	2018 Financial liabilities at amortised cost *HK$'000*
Trade and retention payables	**354,476**	445,907
Dividend payable	**1,683,018**	–
Other payables	**599**	918
Interest-bearing bank borrowings	**116,712**	3,234,292
Interest-bearing other borrowing	**–**	300,000
Guaranteed notes	**40,390**	298,857
Lease liabilities	**18,858**	–
	2,214,053	4,279,974

43. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value as at 31 December 2019 and 2018:

	2019 Fair value measurement using				2018 Fair value measurement using			
	Quoted price in active markets (Level 1) *HK$'000*	**Significant observable inputs (Level 2)** *HK$'000*	**Significant unobservable inputs (Level 3)** *HK$'000*	**Total** *HK$'000*	Quoted price in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Financial assets at fair value through profit or loss	**–**	**309,270**	**–**	**309,270**	–	458,530	833,732	1,292,262
Structured deposits	**–**	**–**	**–**	**–**	–	580,686	–	580,686
	–	**309,270**	**–**	**309,270**	–	1,039,216	833,732	1,872,948

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 (2018: Nil).

43. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

As at 31 December 2019, financial assets at fair value through profit or loss at Level 2 included unlisted investment funds (i.e., Fund II and Fund III) and an unlisted wealth management investment in a fund (included in assets of a disposal group classified as held for sale). The fair values of unlisted investment funds were estimated with reference to the fair values of the underlying assets held by Fund II and Fund III (i.e., net asset method). The fair value of the unlisted wealth management investment in a fund was based on the quoted price from the fund manager.

As at 31 December 2018, the fair value of structured bank deposits had been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of structured bank deposits approximated to their carrying amounts as at the end of the reporting period.

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

	Unlisted convertible bonds *HK$'000*	**Unlisted investment funds** *HK$'000*	**Total** *HK$'000*
Carrying amount at 1 January 2018	–	738,865	738,865
Additions	800,000	633,160	1,433,160
Return of investment	–	(1,361,160)	(1,361,160)
Investment income	–	(17,626)	(17,626)
Fair value gain	33,732	103,280	137,012
Transfer to Level 2	–	(96,519)	(96,519)
Carrying amount at 31 December 2018 and 1 January 2019	**833,732**	–	**833,732**
Redemption	**(883,467)**	–	**(883,467)**
Fair value gain	**49,735**	–	**49,735**
Carrying amount at 31 December 2019	–	–	–

As at 31 December 2018, the fair value of unlisted convertible bonds was estimated based on an external valuation report prepared by Vigers by using multiple valuation technique and is basically composed of three parts, namely: (i) the expected present value of the debt component; (ii) the conversion option value derived from the right to convert the convertible bonds into shares of the issuer ("Conversion Option Value"); and (iii) the put option value derived from the right to request the issuer for an early redemption ("Put Option Value"). The expected present value of the debt component was determined by the present value of the bond's cash flow at the discount of the required yield. The Conversion Option Value was estimated by using a binomial model and the Put Option Value is estimated at the present value of its payoff, i.e., put price less debt component.

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43. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

The Company's management decided to appoint which external valuer to be responsible for the external valuations of unlisted convertible bonds. Selection criteria included market knowledge, reputation, independence and whether professional standards were maintained. Management had discussions with the valuer on the valuation assumptions and valuation results when the valuation was performed for annual financial reporting.

Below was a summary of the valuation techniques used and the key inputs to the valuation of unlisted convertible bonds as at 31 December 2018.

	Valuation techniques	Significant unobservable inputs	Weighted average	Sensitivity of fair value to 5% increase in unobservable input *HK$'000*
Unlisted convertible bonds	Discounted cash flow method on debt component and binomial model	Risk-free rate	1.98%	40
		Market multiples	7.752	286
		Marketability discount	13.8%	(65)
		Probability of potential investment	2.5%	200

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and cash equivalents, restricted cash, pledged bank balances, other receivables, trade receivables, contract assets, trade and retention payables, other payables, dividend payable, interest-bearing bank borrowings, interest-bearing other borrowing, guaranteed notes and lease liabilities. Details of these financial instruments are disclosed in the respective notes to these financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Credit risk

The Group's principal financial assets are cash and cash equivalents, restricted cash, pledged bank balances, contract assets and trade and other receivables.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Credit risk *(Cont'd)*

Maximum exposure and year-end staging *(Cont'd)*

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Simplified approach** *HK$'000*	**Total** *HK$'000*
Contract assets*	**–**	**–**	**–**	**1,115,469**	**1,115,469**
Trade receivables*	**–**	**–**	**–**	**227,649**	**227,649**
Financial assets included in prepayments, deposits and other receivables					
– Normal**	**20,253**	**–**	**–**	**–**	**20,253**
– Doubtful**	**–**	**1,467**	**–**	**–**	**1,467**
Cash and cash equivalents					
– Not yet past due	**2,891,781**	**–**	**–**	**–**	**2,891,781**
	2,912,034	**1,467**	**–**	**1,343,118**	**4,256,619**

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Contract assets*	–	–	–	944,462	944,462
Trade receivables*	–	–	–	167,164	167,164
Financial assets included in prepayments, deposits and other receivables					
– Normal**	628,341	–	–	–	628,341
– Doubtful**	–	293	–	–	293
Pledged bank balances					
– Not yet past due	37,469	–	–	–	37,469
Restricted cash					
– Not yet past due	1,430,897	–	–	–	1,430,897
Cash and cash equivalents					
– Not yet past due	2,854,257	–	–	–	2,854,257
	4,950,964	293	–	1,111,626	6,062,883

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix are disclosed in notes 19 and 20 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as "doubtful".

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its interest-bearing bank and other borrowings. Borrowings at variable rates expose the Group to interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors the Group's interest rate exposure and considers entering into interest rate swaps to reduce its exposure to interest rate fluctuations should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings) and the Group's equity (before any impact on tax).

	Increase in interest rate	**Increase in loss before tax** *HK$'000*	**Decrease in equity*** *HK$'000*
2019			
Bank borrowings	**100 basis points**	**1,167**	**–**

	Increase in interest rate	Decrease in profit before tax *HK$'000*	Decrease in equity* *HK$'000*
2018			
Bank borrowings	100 basis points	2,997	–
Other borrowing	100 basis points	3,000	–

* Excluding retained profits

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Foreign exchange risk

The Group operates mainly in Hong Kong and Mainland China with most of its transactions settled in Hong Kong dollars and Renminbi. Certain of the Group's monetary assets and liabilities are denominated in US$. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi and US$ against HK$. The Group considered the impact on equity from the change in US$ exchange rate was minimal at the end of the reporting period since HK$ is pegged to US$. During the year, all of the Group's bank and other borrowings are denominated in Hong Kong dollars.

Management monitors the Group's currency exposure on an ongoing basis and considers entering into forward currency contracts when the need arises.

The following table demonstrates the sensitivity as at 31 December 2018 to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase in exchange rate %	Increase in profit before tax *HK$'000*
If Hong Kong dollar weakens against Renminbi	5	25,546

The Group was not exposed to any significant foreign currency risk as at 31 December 2019.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and lease liabilities. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

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

	2019				
	On demand *HK$'000*	**Less than 12 months** *HK$'000*	**1 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
Trade and retention payables	**–**	**354,476**	**–**	**–**	**354,476**
Dividend payable	**–**	**1,683,018**	**–**	**–**	**1,683,018**
Other payables	**–**	**599**	**–**	**–**	**599**
Interest-bearing bank borrowings	**–**	**54,135**	**17,628**	**44,949**	**116,712**
Guaranteed notes	**–**	**40,700**	**–**	**–**	**40,700**
Lease liabilities	**–**	**10,838**	**8,918**	**–**	**19,756**
Guarantees in respect of performance bonds in relation to subsidiaries	**403,267**	**–**	**–**	**–**	**403,267**
	403,267	**2,143,766**	**26,546**	**44,949**	**2,618,528**

	2018				
	On demand *HK$'000*	Less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Trade and retention payables	–	445,907	–	–	445,907
Other payables	–	918	–	–	918
Interest-bearing bank borrowings	–	232,952	2,993,883	49,829	3,276,664
Interest-bearing other borrowing	–	–	300,000	–	300,000
Guaranteed notes	–	–	305,000	–	305,000
Guarantees in respect of performance bonds in relation to subsidiaries	325,219	–	–	–	325,219
	325,219	679,777	3,598,883	49,829	4,653,708

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. The Group's policy is to maintain the gearing ratio not exceeding 50%. Net debt includes trade and retention payables, dividend payable, other payables, interest-bearing bank and other borrowings, guaranteed notes and lease liabilities less pledged bank balances, restricted cash and cash and cash equivalents. Capital includes total equity of the Group. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2019 *HK\$'000*	1 January 2019 *HK\$'000* *(note)*	31 December 2018 *HK\$'000*
Trade and retention payables	**354,476**	445,907	445,907
Dividend payable	**1,683,018**	–	–
Other payables	**599**	918	918
Interest-bearing bank borrowings	**116,712**	3,234,292	3,234,292
Interest-bearing other borrowing	**–**	300,000	300,000
Guaranteed notes	**40,390**	298,857	298,857
Lease liabilities (note 29)	**18,858**	43,668	–
Less: Pledged bank balances	**–**	(37,469)	(37,469)
Restricted cash	**–**	(1,430,897)	(1,430,897)
Cash and cash equivalents	**(2,891,781)**	(2,854,257)	(2,854,257)
Net debt/(cash)	**(677,728)**	1,019	(42,649)
Total equity	**2,321,866**	12,162,663	12,162,663
Gearing ratio	**N/A**	0.01%	N/A

Note: The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in changing the Group from net cash position to net debt position and hence the Group's gearing ratio became 0.01% on 1 January 2019 when compared with the position as at 31 December 2018.

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45. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations. In addition, certain comparative amounts in the consolidated statement of financial position and consolidated statement of cash flows and respective notes have been reclassified to conform with the current year's presentation.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019	2018
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Equipment	**–**	2,878
Interests in subsidiaries	**1,669,686**	8,369,661
Total non-current assets	**1,669,686**	8,372,539
CURRENT ASSETS		
Amounts due from subsidiaries	**176,384**	2,470,845
Prepayments, deposits and other receivables	**4,674**	4,224
Cash and cash equivalents	**2,222,064**	391,924
Total current assets	**2,403,122**	2,866,993
CURRENT LIABILITIES		
Amounts due to subsidiaries	**670,542**	297,974
Trade payables and accruals	**33,827**	10,325
Dividend payable	**1,683,018**	–
Other payables, deposits received and receipt in advance	**413**	2,513
Total current liabilities	**2,387,800**	310,812
NET CURRENT ASSETS	**15,322**	2,556,181
Net assets	**1,685,008**	10,928,720
EQUITY		
Issued capital	**336,603**	336,483
Reserves (note)	**1,348,405**	10,592,237
Total equity	**1,685,008**	10,928,720

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profit/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2018	10,055,937	593,811	–	420,557	11,070,305
Loss for the year	–	–	–	(245,730)	(245,730)
Total comprehensive expenses for the year	–	–	–	(245,730)	(245,730)
Shares repurchased and cancelled (note 31)	(54,129)	–	–	–	(54,129)
Equity-settled share option arrangements (note 32)	–	–	160,060	–	160,060
Transfer of share option reserve upon the expiry of share options	–	–	(10,284)	10,284	–
Issue of shares (note 31)	2,481	–	(501)	–	1,980
2017 final dividend declared and paid (note 12)	–	–	–	(340,249)	(340,249)
At 31 December 2018 and 1 January 2019	**10,004,289**	**593,811**	**149,275**	**(155,138)**	**10,592,237**
Loss for the year	**–**	**–**	**–**	**(138,280)**	**(138,280)**
Total comprehensive expenses for the year	**–**	**–**	**–**	**(138,280)**	**(138,280)**
Equity-settled share option arrangements (note 32)	**–**	**–**	**14,425**	**–**	**14,425**
Transfer of share option reserve upon the cancellation of share options	**–**	**–**	**(163,199)**	**163,199**	**–**
Issue of shares (note 31)	**2,481**	**–**	**(501)**	**–**	**1,980**
Transfer to contributed surplus	**(10,004,289)**	**10,004,289**	**–**	**–**	**–**
2019 special dividend declared (note 12a)	**–**	**(1,683,018)**	**–**	**–**	**(1,683,018)**
2019 special dividends declared and paid (note 12)	**–**	**(6,732,072)**	**–**	**–**	**(6,732,072)**
2019 interim dividend declared and paid (note 12)	**–**	**(706,867)**	**–**	**–**	**(706,867)**
At 31 December 2019	**2,481**	**1,476,143**	**–**	**(130,219)**	**1,348,405**

The contributed surplus of the Company included the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1991 prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor amounting to HK$29,950,000. In addition, pursuant to special resolutions passed at the annual general meetings of the Company held on 7 August 2015 and 12 June 2019, the entire amounts of HK$563,861,000 and HK$10,004,289,000 standing to the credit of share premium account of the Company as at 7 August 2015 and 31 December 2018 respectively were cancelled, and the corresponding balances arising therefrom were credited to the contributed surplus account of the Company. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2020.