Sinochem Hong Kong (Group) Company Limited

Consolidated Financial Statements
31 December 2019

Directors' Report

The directors submit herewith their annual report together with the audited consolidated financial statements for Sinochem Hong Kong (Group) Company Limited (the "Company") and its subsidiaries (collectively the "Group") the year ended 31 December 2019.

Principal place of business

The Company is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

Principal activities

The principal activities of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries, joint ventures and associates are set out in notes 48, 19 and 20 to the consolidated financial statements, respectively.

Dividends

Dividends amounting to US$50,000,000 (equivalent to HK$389,392,500) were declared to the immediate parent during the year ended 31 December 2019, and was paid on 23 April 2020.

Details of dividends distribution during the year are set out in note 11 to the consolidated financial statements.

Share capital

Details of share capital of the Company are set out in note 38 to the financial statements. There were no movements during the year.

Directors

The directors during the financial year were:

Li Lin
Lin Yu
Ning Gaoning

In accordance with the Company's Articles of Association, all the remaining directors shall retire and, being eligible, offer themselves for re-election.

At no time during the year was the Company, or any of its holding company or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

Directors' interests in transactions, arrangements or contracts

No transaction, arrangement and contract of significance to which the Company, or any of its holding company or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

KPMG was first appointed as auditor of the Company in 2019.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

宁高宁

Ning Gaoning
Director

29 June 2020

KPMG

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Sinochem Hong Kong (Group) Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 9 to 137, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Key audit matters (continued)

Assessing potential impairment of goodwill	
Refer to note 17 to the consolidated financial statements and the accounting policies on note 2(g).	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2019, the Group had a goodwill of approximately HK$2 billion which was arisen from the acquisition of subsidiaries of the real estate business segments in prior year. Management determined the recoverable amounts of the cash-generating unit ("CGU") to which the goodwill was allocated for annual impairment testing by preparing discounted cash flow forecasts prepared for the CGU. Management's impairment assessment of goodwill involves significant judgement, particularly in determining the estimated future revenue, growth rates and the discounted rates applied, all of which can be inherently uncertain. We identified assessing potential impairment of goodwill as a key audit matter because determining the key impairment assumptions involves a significant degree of management judgement and may be subject to management bias.	Our audit procedures to assess potential impairment of goodwill included the following: • assessing management's identification of the CGU and the allocation of assets and liabilities to the CGU with reference to the requirements of the prevailing accounting standards; • discussing future operating plans with management and comparing the estimated revenue and profit used in the discounted cash flow forecasts with the approved budget; • engaging our internal valuation specialists to assist us in assessing the impairment assessment methodology adopted and the discount rates used in the discounted cash flow forecasts by comparing with market and other external available information derived from companies in the similar industries; • evaluating the sensitivity analysis prepared by management for each of the key assumptions adopted in the discounted cash flow forecasts and considering the possibility of error or management bias;

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Key audit matters (continued)

Assessing potential impairment of goodwill (continued)	
Refer to note 17 to the consolidated financial statements and the accounting policies on note 2(g).	
The Key Audit Matter	**How the matter was addressed in our audit**
	• performing a retrospective review of last year's impairment assessment and comparing the forecast data with the current year's results to assess the reliability of management's forecasting process; and • considering the disclosures in the consolidated financial statements in respect of the impairment assessment with reference to the requirements of the prevailing accounting standards.

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Key audit matters (continued)

Valuation of investment properties	
Refer to note 15 to the consolidated financial statements and the accounting policies on note 2(k).	
The Key Audit Matter	**How the matter was addressed in our audit**
The fair value of the Group's investment properties as at 31 December 2019 totalled HK$35.95 billion which represented 9% of the Group's total assets as at that date. The fair value of the Group's investment properties as at 31 December 2019 was assessed by the Group based on independent valuations prepared by qualified external property valuers. The changes in fair value of investment properties recorded in the consolidated statement of comprehensive income represented 4% of the Group's profit before tax from continuing operations for the year ended 31 December 2019. The Group's investment properties, which are located in Hong Kong, Singapore and Mainland China, comprise shopping malls, office premises and car parks. Different valuation methodologies were applied to different types of investment properties.	Our audit procedures to valuation of investment properties included the following: • obtaining and inspecting the valuation reports prepared by the qualified external property valuer engaged by the Group on which the Group' assessment of valuation of investment properties was based; • assessing the qualifications of the external property valuers and their experience and expertise in the properties being valued, and considering their objectivity and independence from management; • discussing with the external property valuers their valuation methodology and challenging the key estimates and assumptions adopted in the valuations, including the capitalisation rates, market rent, term yield and reversionary yield by comparing assumptions made in prior years with the current year's assumptions and current publicly available data, with the assistance of our internal valuation specialists;

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Key audit matters (continued)

Valuation of investment properties (continued)	
Refer to note 15 to the consolidated financial statements and the accounting policies on note 2(k).	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the changes in fair value of investment properties to the Group's profit before taxation and because the valuation of investment properties can be inherently subjective and requires significant judgement and estimation, particularly in relation to the selection of the appropriate valuation methodology, market rent, capitalisation rates, term yield and reversionary yield which increases the risk of error or potential management bias.	• comparing tenancy information, including committed rents, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis; and • considering the disclosures in the consolidated financial statements in respect of the investment properties with reference to the requirements of the prevailing accounting standards.

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Information included in the directors' report

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

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

Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Maggie L.T. Lee.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

0 2 JUL 2020

Consolidated statement of comprehensive income for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018*
			(Note)
		HK$'000	HK$'000
			(Restated)
Continuing operations			
Revenue	4	49,613,113	46,331,801
Cost of sales		(34,778,180)	(28,632,711)
Gross profit		14,834,933	17,699,090
Other income, gains and losses, net	5	6,811,199	2,916,471
Selling and distribution expenses		(1,493,265)	(1,243,634)
Administrative expenses		(3,465,547)	(2,852,406)
Fair value changes of investment properties	15	513,625	235,291
Finance costs	6	(3,438,494)	(4,054,002)
Share of profits and losses of:			
Joint ventures		820,779	436,596
Associates		(111,291)	127,754
Profit before tax from continuing operations	7	14,471,939	13,265,160
Income tax expense	8(a)	(4,865,840)	(5,137,082)
Profit for the year from continuing operations		9,606,099	8,128,078
Discontinued operations			
Profit for the year from discontinued operations	10	737,739	587,630
Profit for the year		10,343,838	8,715,708
Attributable to:			
Owners of the parent		3,410,050	2,772,654
Non-controlling interests		6,933,788	5,943,054
Profit for the year		10,343,838	8,715,708

The notes on pages 25 to 137 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in note 11.

Consolidated statement of comprehensive income for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018*
			(Note)
		HK$'000	HK$'000
			(Restated)
Profit for the year		10,343,838	8,715,708
Other comprehensive income for the year from continuing operations	9		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of foreign operations		(2,625,143)	(5,117,530)
The share of other comprehensive income of associates and joint ventures		(451,901)	(673,747)
Reclassification adjustments for foreign operations disposed of during the year		(59,220)	(45,666)
Net investment hedges, net of tax		-	3,646
Cash flow hedges, net of tax		(17,005)	29,520
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		(3,153,269)	(5,803,777)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation, net of tax		139,615	38,786
Changes in fair value of equity investments at fair value through other comprehensive income ("FVOCI"), net of tax		(148,194)	(334,344)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		(8,579)	(295,558)
Other comprehensive income for the year from continuing operations, net of tax		(3,161,848)	(6,099,335)

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018*
			(Note)
		HK$'000	HK$'000
			(Restated)
Other comprehensive income for the year from discontinued operations, net of tax	10	(242,518)	(304,912)
Total comprehensive income for the year		6,939,472	2,311,461
Attributable to:			
Owners of the parent		2,106,597	(500,526)
Non-controlling interests		4,832,875	2,811,987
Total comprehensive income for the year		6,939,472	2,311,461

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

Comparative information has been re-presented due to discontinued operations. See notes 4(b) and 10.

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of financial position at 31 December 2019

(Expressed in Hong Kong dollars)

	Note	*31 December 2019*	*31 December 2018* (Note)
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	12	12,215,612	15,539,294
Land under development	13	11,950,229	10,924,008
Properties under development	14	72,378,030	57,201,366
Investment properties	15	35,954,909	33,856,049
Right-of-use assets	16	1,806,467	-
Prepaid land lease payments		-	2,215,984
Goodwill	17	1,999,570	4,027,608
Intangible assets	18	55,841	674,498
Investments in joint ventures	19	12,850,159	8,857,161
Investments in associates	20	8,980,672	8,704,818
Financial assets at fair value through other comprehensive income	21	910,090	1,767,098
Amounts due from related parties	23	32,265,148	30,858,344
Deferred tax assets	37	3,084,322	2,292,500
Amounts due from non-controlling shareholders	24	1,194,261	4,137,590
Other assets	25	4,448,313	1,853,694
		200,093,623	182,910,012
Current assets			
Inventories	26	194,430	6,476,494
Land under development	13	2,222,109	3,537,625
Properties under development	14	68,405,597	55,320,904
Properties held for sale	27	13,154,012	10,261,498
Prepaid land lease payments		-	77,327
Trade and bills receivables	28	1,614,284	1,501,595
Contract assets	30	298,062	176,331
Prepayments, other receivables and other assets	29	33,723,298	25,126,765
Amounts due from related parties	23	50,538,604	54,647,894
Tax recoverable		4,521,497	3,408,620
Derivative financial instruments	22	-	8,303
Restricted bank balances	31(a)	8,357,301	5,087,435
Cash and cash equivalents	31(a)	20,246,622	28,319,827
Other assets	25	51,627	305,663
		203,327,443	194,256,281

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of financial position at 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*31 December 2019* HK$'000	*31 December 2018* (Note) HK$'000
Current liabilities			
Trade and bills payables	32	21,204,715	16,511,002
Other payables and accruals	33	92,266,429	82,189,029
Derivative financial instruments	22	120,962	74,981
Interest-bearing borrowings	34	41,283,385	32,360,908
Lease liabilities	36	78,283	-
Amounts due to related parties	23	23,428,352	19,544,985
Tax payable		2,875,037	1,955,525
Provision for land appreciation tax	35	3,672,778	3,059,697
		184,929,941	155,696,127
Net current assets		18,397,502	38,560,154
Total assets less current liabilities		218,491,125	221,470,166
Non-current liabilities			
Interest-bearing borrowings	34	87,056,469	95,883,892
Lease liabilities	36	134,365	-
Deferred tax liabilities	37	6,781,770	6,395,017
Deferred income		-	83,400
Derivative financial instruments	22	39,060	51,095
Other non-current liabilities		78,138	118,675
		94,089,802	102,532,079
Net assets		124,401,323	118,938,087

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of financial position at 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*31 December 2019* HK$'000	*31 December 2018* (Note) HK$'000
Capital and reserves			
Issued capital	38	24,468,400	24,468,400
Reserves		17,676,553	20,581,092
Equity attributable to owners of the parent		42,144,953	45,049,492
Non-controlling interests		82,256,370	73,888,595
Total equity		124,401,323	118,938,087

Approved and authorised for issue by the board of directors on 29 June 2020.

Director

Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

		Attributable to owners of the parent													
	Note	*Issued capital* HK$'000	*Capital reserve* HK$'000 (Note (a))	*Asset revaluation reserve* HK$'000 (Note (b))	*Merger reserve* HK$'000 (Note (c))	*Statutory reserve* HK$'000 (Note (d))	*Fair value reserve* HK$'000 (Note (e))	*Translation reserve* HK$'000 (Note (f))	*Other contribution reserve* HK$'000 (Note (g))	*Cashflow hedge reserve* HK$'000 (Note (h))	*Share option reserve* HK$'000	*Retained profits* HK$'000	*Total* HK$'000	*Non-controlling Interests* HK$'000	*Total equity* HK$'000
At 1 January 2019		24,468,400	(2,345,619)	603,820	(3,836,771)	4,572,120	102,849	(1,344,925)	2,432,896	22,850	-	20,373,872	45,049,492	73,888,595	118,938,087
Profit for the year		-	-	-	-	-	-	-	-	-	-	3,410,050	3,410,050	6,933,788	10,343,838
Other comprehensive income for the year															
Changes in fair value of equity investments designated at FVOCI, net of tax		-	-	-	-	-	(197,311)	-	-	-	-	-	(197,311)	(44,172)	(241,483)
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	(80,956)	-	-	(80,956)	63,951	(17,005)
Gains on property revaluation, net of tax		-	-	110,004	-	-	-	-	-	-	-	-	110,004	29,611	139,615
Reclassification adjustments of exchange differences for foreign operations disposed of during the year	44	-	-	-	-	-	-	(20,763)	-	-	-	-	(20,763)	(38,457)	(59,220)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(1,114,427)	-	-	-	-	(1,114,427)	(2,111,846)	(3,226,273)
Total comprehensive income for the year, net of tax		-	-	110,004	-	-	(197,311)	(1,135,190)	-	(80,956)	-	3,410,050	2,106,597	4,832,875	6,939,472
Issue of perpetual securities by a subsidiary	39	-	-	-	-	-	-	-	-	-	-	-	-	3,192,699	3,192,699
Exercise of share options (Note i)		-	79,538	-	-	-	-	-	-	-	(8,179)	-	71,359	30,665	102,024
Placing of existing shares and subscription of new shares under general mandate (Note i)		-	1,409,916	-	-	-	-	-	-	-	-	-	1,409,916	7,248,676	8,658,592
Equity-settled share-based payments of subsidiaries	42	-	-	-	-	-	-	-	-	-	33,573	-	33,573	61,929	95,502
Acquisition of non-controlling interests		-	(351,334)	-	-	-	-	-	-	-	-	-	(351,334)	(4,243,645)	(4,594,979)
Transfer from retained profits		-	-	-	-	331,499	-	-	-	-	-	(331,499)	-	-	-
Dividends declared by the Company	11	-	-	-	-	-	-	-	-	-	-	(389,393)	(389,393)	-	(389,393)
Dividends declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(2,631,253)	(2,631,253)
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	-	-	-	-	-	(1,014)	1,014	-	-	-
Capital injection to a subsidiary, solely by the Group		-	(14,512)	-	-	-	-	-	-	-	-	-	(14,512)	14,512	-
Disposal of investment at FVOCI		-	-	-	-	-	104,124	-	-	-	-	(104,124)	-	-	-
Capital contribution from non-controlling interests		-	4,905	-	-	-	-	-	-	-	-	-	4,905	7,245,774	7,250,679
Disposal of subsidiaries	44	-	-	-	-	-	-	-	-	-	-	-	-	(908,519)	(908,519)
De-registration of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	(26,435)	(26,435)
Acquisition of subsidiaries	43	-	-	-	-	-	-	-	-	-	-	-	-	901,353	901,353
Redemption of perpetual securities by a subsidiary (Note j)		-	-	-	-	-	-	-	-	-	-	-	-	(2,272,400)	(2,272,400)
Distributions paid for perpetual securities by a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	(1,138,763)	(1,138,763)
Repurchase of perpetual capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance and production fund		-	-	-	-	-	-	-	3,156	-	-	(3,156)	-	-	-
Deemed distributions	10	-	(100,278)	-	(164,842)	(270,648)	48,193	(353,215)	(131,762)	-	-	(4,803,098)	(5,775,650)	(3,939,693)	(9,715,343)
At 31 December 2019		24,468,400	(1,317,384)*	713,824*	(4,001,613)*	4,632,971*	57,855*	(2,833,330)*	2,304,290*	(58,106)*	24,380*	18,153,666*	42,144,953	82,256,370	124,401,323

* These reserve accounts comprise the consolidated reserves of HK$17,676,553,000 in the consolidated statement of financial position.

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

		Attributable to owners of the parent													
	Note	*Issued capital* HK$'000	*Capital reserve* HK$'000 (Note (a))	*Asset revaluation reserve* HK$'000 (Note (b))	*Merger reserve* HK$'000 (Note (c))	*Statutory reserve* HK$'000 (Note (d))	*Fair value reserve* HK$'000 (Note (e))	*Translation reserve* HK$'000 (Note (f))	*Other contribution reserve* HK$'000 (Note (g))	*Perpetual capital securities reserve* HK$'000	*Cashflow hedge reserve* HK$'000 (Note h)	*Retained profits* HK$'000	*Total* HK$'000	*Non-controlling interests* HK$'000	*Total equity* HK$'000
At 1 January 2018		24,468,400	(1,604,008)	572,726	(3,836,771)	3,874,941	454,505	1,665,236	2,427,365	4,619,260	(34,693)	19,407,682	52,014,643	61,794,168	113,808,811
Profit for the year		-	-	-	-	-	-	-	-	-	-	2,772,654	2,772,654	5,943,054	8,715,708
Other comprehensive income for the year															
Changes in fair value of equity investments designated at FVOCI, net of tax		-	-	-	-	-	(351,656)	-	-	-	-	-	(351,656)	(15,569)	(367,225)
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	55,725	-	55,725	(26,205)	29,520
Net investment hedges, net of tax		-	-	-	-	-	-	-	-	-	1,818	-	1,818	1,828	3,646
Gains on property revaluation, net of tax		-	-	31,094	-	-	-	-	-	-	-	-	31,094	7,692	38,786
Reclassification adjustments of exchange differences for foreign operations disposed of during the year	44	-	-	-	-	-	-	(22,766)	-	-	-	-	(22,766)	(22,900)	(45,666)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(2,987,395)	-	-	-	-	(2,987,395)	(3,075,913)	(6,063,308)
Total comprehensive income for the year, net of tax		-	-	31,094	-	-	(351,656)	(3,010,161)	-	-	57,543	2,772,654	(500,526)	2,811,987	2,311,461
Issue of shares to non-controlling shareholders		-	(323,229)	-	-	-	-	-	-	-	-	-	(323,229)	3,628,352	3,305,123
Exercise of share options		-	(3,722)	-	-	-	-	-	-	-	-	-	(3,722)	15,331	11,609
Repurchase of shares by a subsidiary under the Companies Ordinance (Cap.622)		-	59,446	-	-	-	-	-	-	-	-	(52,059)	7,387	(111,810)	(104,423)
Equity-settled share-based payments of subsidiaries	42	-	-	-	-	-	-	-	-	-	-	-	-	25,912	25,912
Acquisition of non-controlling interests		-	(401,214)	-	-	-	-	-	-	-	-	-	(401,214)	(4,203,196)	(4,604,410)
Transfer from retained profits		-	-	-	-	697,179	-	-	-	-	-	(697,179)	-	-	-
Dividends declared by the Company	11	-	-	-	-		-	-	-	-	-	(862,353)	(862,353)	-	(862,353)
Dividends declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(2,862,687)	(2,862,687)
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	-	-	-	-	-	-	1,983	1,983	(1,983)	-
Capital contribution from non-controlling interests		-	20,765	-	-	-	-	-	-	-	-	-	20,765	7,429,855	7,450,620
Distribution paid for perpetual capital securities		-	-	-	-	-	-	-	-	-	-	(191,325)	(191,325)	-	(191,325)
Distribution paid for perpetual securities issued by a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	(949,724)	(949,724)
Issue of perpetual securities by a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	4,591,356	4,591,356
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	1,678,561	1,678,561
Repurchase of perpetual securities from a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	(11,774)	(11,774)
Repurchase of perpetual capital securities (Note k)		-	(39,410)	-	-	-	-	-	-	(4,619,260)	-	-	(4,658,670)	-	(4,658,670)
Capital contribution to a subsidiary of Sinofert Holdings Limited through the conversion of its shareholder's loans		-	(54,247)	-	-	-	-	-	-	-	-	-	(54,247)	54,247	-
Maintenance and production fund		-	-	-	-	-	-	-	5,531	-	-	(5,531)	-	-	-
At 31 December 2018		24,468,400	(2,345,619)	603,820	(3,836,771)	4,572,120	102,849	(1,344,925)	2,432,896	-	22,850	20,373,872	45,049,492	73,888,595	118,938,087

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

Notes:

(a) The capital reserve of the Group mainly comprises (i) contributions from owners in respect of settlement of doubtful receivables; (ii) contributions made by owners for the transfer of equity interest in a joint venture to the Group in previous years; and (iii) contributions made by owners to the Company's subsidiaries.

(b) The asset revaluation reserve of the Group arose from the change in use from owner-occupied properties to investment properties carried at fair value.

(c) The merger reserve of the Group comprises the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the holding companies of the acquirees as consideration for the group restructuring transactions.

(d) The statutory reserve comprises the statutory reserve fund, reserve fund and enterprise expansion fund. In accordance with the relevant rules and regulations in the People's Republic of China ("PRC"), each of the Group's PRC subsidiaries is required to transfer an amount of its profit after income tax to the statutory reserve fund, until the accumulated total of the fund reaches 50% of its registered capital. The appropriations to the reserve fund and enterprise expansion fund are determined by the articles of association of the Company's subsidiaries and are subject to the approval by the board of directors of the respective subsidiaries.

(e) Fair value reserve comprises the cumulative net change in the fair value, of equity investments designated at FVOCI under HKFRS 9 that are held at the end of reporting period.

(f) Translation reserve comprises all foreign currency differences arising from the translation of the financial statements presented in any currencies other than Hong Kong dollars which are dealt with in accordance with the accounting policies as set out in note 2(dd).

(g) The other contribution reserve mainly comprises capital contributions, maintenance and production fund, capital contribution for energy saving and emission reduction projects, and deemed contributions from equity owners net of deemed distributions to equity owners. The maintenance and production fund is appropriated/utilised in accordance with relevant PRC regulations on certain enterprises.

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

(h) The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(j).

(i) On 26 July 2019, China Jinmao Holdings Group Limited ("Jinmao"), the Company and Ping An of China Asset Management (Hong Kong) Company Limited ("Investment Manager") entered into the Ping An Agreement pursuant to which the Company agreed to sell and the Investment Manager agreed to purchase 1,787,077,435 shares of Jinmao held by the Company at the placing price of HK$4.8106 per share with the net proceeds of approximately HK$8,583,740,000.

On the same day, Jinmao, the Company and New China Life Insurance Company Ltd. ("NCI") entered into the NCI Agreement pursuant to which the Company agreed to sell and NCI agreed to purchase 15,559,860 shares of Jinmao held by the Company at the placing price of HK$4.8106 per share with the net proceeds of approximately HK$74,852,000.

During the year ended 31 December 2019, 46,502,100 share options of Jinmao were exercised at the subscription price of HK$2.44 per share or HK$2.196 per share for a total cash consideration, before issue expenses, of HK$102,024,000.

Upon completion of the above transactions, the Group's equity interest in Jinmao decreased from 49.85% on 31 December 2018 to 35.06%.

(j) On 16 June 2016, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, issued the domestic renewable corporate bonds with an aggregate principal amount of RMB2,000,000,000 (equivalent to approximately HK$2,360,718,000).

On 16 June 2019, the Group redeemed all of these domestic renewable corporate bonds with a principal amount of RMB2,000,000,000 (equivalent to approximately HK$2,272,400,000).

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

(k) On 2 May 2013, Sinochem Global Capital Co., Ltd. ("Sinochem Global Capital"), a wholly-owned subsidiary of the Group, issued subordinated guaranteed perpetual capital securities with a nominal amount of US$600,000,000 (equivalent to HK$4,653,720,000), which are guaranteed on a subordinated basis by the Group. The direct transaction costs attributable to the perpetual capital securities amounted to HK$34,460,000.

The perpetual capital securities have no fixed maturity, and confer a right to the holders to receive distributions for the period from and including 2 May 2013 at the applicable rate. Sinochem Global Capital and the Company, as the issuer and the guarantor, respectively, may, at their sole discretion, elect to defer payment of distributions, in whole or in part, by giving notice to the holders of not more than ten nor less than five business days prior to a scheduled distribution payment date. The Group is not subject to any limits as to the number of times on distributions and arrears of distribution may be deferred.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of perpetual capital securities other than an unforeseen liquidation of the Group or Sinochem Global Capital. Accordingly, the perpetual capital securities are classified as equity instruments.

On 1 November 2018, Sinochem Global Capital has repurchased the perpetual capital securities with an aggregate principal amount of US$600,000,000 (equivalent to HK$4,653,720,000) at the total consideration of US$600,000,000 (equivalent to HK$4,658,670,000).

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Note	*2019* HK$'000	*2018* (Note) HK$'000
Cash flows from operating activities			
Profit before tax, including discontinued operations		15,217,698	13,809,846
Adjustments for:			
Losses/(gains) on disposal of:			
Property, plant and equipment		6,994	(7,087)
Subsidiaries	5	(1,156,681)	(85,431)
Joint ventures and associates		(874,651)	-
Gain on bargain purchase	5	(456,718)	(88,686)
Write-off of payables		(12,104)	(654)
Impairment losses on:			
Property, plant and equipment	12	15,409	-
Intangible assets	5	-	43
Prepayments for acquisition of property, plant and equipment		-	473
Impairment losses on trade and bills receivables, and other receivables		11,752	14,396
Write-down of inventories		9,725	14,469
Fair value losses/(gains) on:			
Other financial assets		13,746	(1,472)
Derivative financial instruments - transactions not qualifying as hedges	5	16,674	4,652
Ineffectiveness of net investment hedges	5	-	30,143
Transfers from properties held for sale to investment properties	5	(404,538)	(52,007)
Equity interest previously held as investments in joint ventures or associates	5	(393,398)	(120,359)
Finance costs		3,632,244	4,311,735
Share of profits and losses of joint ventures		(820,450)	(470,081)
Share of profits and losses of associates		88,157	(148,649)
Interest and investment income		(3,288,319)	(2,328,680)
Fair value changes of investment properties	15	(513,625)	(235,291)
Depreciation of:			
Property, plant and equipment	12	738,908	759,497
Right-of-use assets	16	175,345	-
Amortisation of:			
Other non-current assets		8,013	13,456
Intangible assets	18	52,799	51,628
Prepaid land lease payments		-	80,083

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018* (Note)
		HK$'000	HK$'000
Cash flows from operating activities (continued)			
Adjustments for (continued):			
Dividend income from equity investments designated at FVOCI		(5,772)	(5,141)
Expenditure of separation and hand-over of water/power/gas supply and property management facilities		-	34,522
Equity-settled share-based payment expense	7	95,502	25,912
		12,156,710	15,607,317
Changes in working capital:			
Decrease in inventories		141,315	147,336
Decrease in land under development		243,182	4,249,823
Increase in properties under development		(47,776,489)	(50,203,269)
Decrease in properties held for sale		31,697,130	20,467,245
(Increase)/decrease in trade and bills receivables		(588,162)	190,886
(Increase)/decrease in prepayments, other receivables and other assets		(8,329,432)	5,008,971
Decrease/(increase) in amounts due from related parties		6,227,335	(3,454,324)
Increase in contract assets		(127,833)	(182,712)
Increase in trade and bills payables		8,756,827	3,046,612
Increase in other payables and accruals		6,759,551	6,992,168
Increase in amounts due to related parties		14,451,683	737,805
Increase in deferred income and other non-current liabilities		64,828	87,246
Cash generated from operations		23,676,645	2,695,104
Income tax paid		(2,716,651)	(4,285,772)
Land appreciation tax paid		(1,984,043)	(3,133,076)
Net cash flows generated from/(used in) operating activities		18,975,951	(4,723,744)

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018* (Note)
		HK$'000	HK$'000
Cash flows from investing activities			
Interest received		2,890,077	1,044,332
Dividends received from:			
Associates		-	39,161
Joint ventures		931,684	-
Equity investments designated at FVOCI		5,772	5,141
Purchase of property, plant and equipment		(1,310,002)	(1,050,077)
Proceeds from disposal of property, plant and equipment		43,349	-
Proceeds from disposal of intangible assets	18	762	-
Additions of prepaid lease payments		(46,774)	-
Additions to investment properties	15	(784,803)	(1,341,728)
Proceeds from disposal/liquidation of joint ventures and associates		1,488,125	6,663,666
Disposal of subsidiaries	44	(123,737)	(2,585,885)
Increase in other assets and intangible assets		(29,170)	(54,329)
Acquisition of subsidiaries	43	236,950	(30,860)
Additional investments in joint ventures		(4,410,485)	(5,788,705)
Additional investments in associates		(1,810,847)	(3,262,538)
Increase in restricted bank balances and long-term deposits		(7,184,562)	(904,968)
Increase of derivative financial instruments		-	(25,535)
Payment for purchase of other financial assets		(3,845,854)	(12,974,957)
Proceeds from sale of other financial assets		4,666,925	18,561,592
Proceeds from disposal of financial assets at FVOCI		912,246	-
Increase in amounts due from related parties		(2,900,297)	(8,502,766)
(Increase)/decrease in advance of loans to non-controlling interests		(1,082,755)	1,580,068
Decrease in entrusted loans to third parties		1,579,009	1,432,982
Increase in entrustment loans to non-controlling interests of a subsidiary		(1,631,501)	-
Prepaid investment cost		(500,599)	(7,891,105)
Others		-	11,595
Net cash flows used in investing activities		(12,906,487)	(15,074,916)

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018*
			(Note)
		HK$'000	HK$'000
Cash flows from financing activities			
Issue of shares to non-controlling interests		-	3,305,123
Distribution paid for perpetual securities		(1,138,763)	(1,141,049)
Issue of perpetual securities, net of issue expenses		3,192,699	4,591,356
New bank and other borrowings	31(b)	116,617,826	91,080,403
Repayment of bank and other borrowings	31(b)	(115,358,405)	(71,765,587)
Increase in other non-current liabilities	31(b)	79,534	-
Capital contribution from non-controlling interests		7,250,679	7,450,620
Dividends paid	31(b)	(391,645)	(470,708)
Dividends paid to non-controlling interests of subsidiaries	31(b)	(2,711,256)	(2,672,348)
Advance from non-controlling interests	31(b)	636,388	1,898,103
Placing of existing shares of Jinmao		8,658,592	-
Deemed distributions		(1,945,709)	-
Repayment of loans from non-controlling interests	31(b)	(8,779,212)	(1,498,226)
Interest paid	31(b)	(8,335,046)	(6,999,024)
Advance of investments from third parties	31(b)	4,658,837	1,962,481
(Decrease)/increase in amounts due to related parties	31(b)	(8,938,356)	3,958,082
Proceeds from exercise of share options		102,024	11,609
Repurchase of Jinmao's perpetual securities		-	(11,774)
Repurchase of perpetual securities		-	(4,658,670)
Redemption of perpetual securities		(2,272,400)	-
Repurchase of shares by Jinmao		-	(104,423)
Acquisition of non-controlling interests		(4,594,979)	(4,604,410)
Capital element of lease rentals paid	31(b)	(84,015)	-
Interest element of lease rentals paid	31(b)	(8,293)	-
Net cash flows from financing activities		(13,361,500)	20,331,558

The notes on pages 25 to 137 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	*2019*	*2018*
			(Note)
		HK$'000	HK$'000
Net (decrease)/increase in cash and cash equivalents		(7,292,036)	532,898
Cash and cash equivalents at the beginning of the year	31(a)	28,319,827	27,671,639
Effect of foreign exchange rate changes, net		(781,169)	115,290
Cash and cash equivalents at the end of the year	31(a)	20,246,622	28,319,827

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 25 to 137 form part of these financial statements.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General

Sinochem Hong Kong (Group) Company Limited (the "Company") is a limited company incorporated in Hong Kong. Its registered office is located at 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries, joint ventures and associates are set out in notes 48, 19 and 20 to the consolidated financial statements, respectively.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The financial information relating to the year ended 31 December 2019 included in these consolidated financial statements are not the Company's statutory annual financial statements for the year. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, the Company is not required to deliver its statutory financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has yet to report on these financial statements.

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment properties (see note 2(k));

- derivative financial instruments (see note 2(i)); and

- other investments in debt and equity securities (see note 2(h)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Significant accounting policies (continued)

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases - incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 which remain substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to office premises as disclosed in note 46(b). For an explanation of how the Group applies lessee accounting, see note 2(o)(i).

2 Significant accounting policies (continued)

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(A) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(B) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(C) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 46(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 HK$'000
Operating lease commitments at 31 December 2018	133,372
Less: commitments relating to leases exempt from capitalisation:	
- short-term leases and other leases with remaining lease term ending on or before 31 December 2019 and leases of low value assets	(20,869)
	112,503
Less: total future interest expenses	(3,061)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised at 1 January 2019	109,442

2 Significant accounting policies (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 HK$'000	*Capitalisation of operating lease contracts* HK$'000	*Carrying amount at 1 January 2019* HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	-	2,396,365	2,396,365
Prepaid land lease payments (non-current)	2,215,984	(2,205,998)	9,986
Total non-current assets	**182,910,012**	**190,367**	**183,100,379**
Prepayments, other receivables and other assets	25,126,765	(3,598)	25,123,167
Prepaid land lease payments (current)	77,327	(77,327)	-
Current assets	**194,256,281**	**(80,925)**	**194,175,356**
Lease liabilities (current)	-	45,514	45,514
Current liabilities	**155,696,127**	**45,514**	**155,741,641**
Net current assets	**38,560,154**	**(126,439)**	**38,433,715**
Total assets less current liabilities	**221,470,166**	**63,928**	**221,534,094**
Lease liabilities (non-current)	-	63,928	63,928
Total non-current liabilities	**102,532,079**	**63,928**	**102,596,007**
Net assets	**118,938,087**	**-**	**118,938,087**

(iii) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. The impact on profit before tax is not significant during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group choose to measure any non-controlling interests at fair value of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the parent.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

(e) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

2 Significant accounting policies (continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(g) and 2(s)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are included in the Group's consolidated profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the Group's other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)).

A decrease in interest in an equity-accounted investee while maintaining equity accounting can result from a dilution. The Group's policy is to recognise any gain or loss on dilution directly in equity, except when impairment indicators exist then the Group first assesses and recognises any impairment loss in accordance with the accounting polices described in note 2(s)(ii).

(f) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, the obligations for the liabilities, relating to the arrangement.

2 Significant accounting policies (continued)

The Group recognises in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operations;
- its share of the revenue from the sale of the output by the joint operations; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units ("CGUs"), that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(s)(ii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 41(f). These investments are subsequently accounted for as follows, depending on their classification.

2 Significant accounting policies (continued)

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(cc)(ix)).

- FVOCI- recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(cc)(viii).

(i) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(j)).

2 Significant accounting policies (continued)

(j) Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and variable rate borrowings (cash flow hedges). Some borrowings are designated as hedges of the foreign exchange risk of a net investment in a foreign operation.

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a nonfinancial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

(ii) Hedge of net investments in foreign operations

The effective portion of any foreign exchange gain or loss on the borrowings is recognised in other comprehensive income and accumulated in equity in the translation reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognise immediately in profit or loss.

(k) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(o)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

2 Significant accounting policies (continued)

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(cc)(vii).

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation with surplus credited to the asset revaluation reserve and deficit charged to profit or loss. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated statement of comprehensive income.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(s)) including the interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 2(o)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Category	*Annual depreciation rate*
Hotel properties	1.70% to 9.50%
Buildings	2% to 5%
Leasehold improvements	18.00% to 20.00%
Furniture and fixtures	3.80% to 33.33%
Office and machinery equipment	7.14% to 25.00%
Motor vehicles	8.30% to 30.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 Significant accounting policies (continued)

(m) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(s)(ii)). Cost comprises direct costs of construction as well as interest expense capitalised during the periods of construction and installation. Capitalisation of these costs ceases when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

(n) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(s)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the
period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Pipeline usage rights are amortised based on the units of production method;

- Mining rights are amortised based on the units of production method utilising only recoverable reserves as the depletion base; and

- Computer software is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2 Significant accounting policies (continued)

(o) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets 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, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(s)(ii)).

2 Significant accounting policies (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

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. The rental income from operating leases is recognised in accordance with note 2(cc)(vii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(o)(i), then the Group classifies the sub-lease as an operating lease.

(p) Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project costs, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

2 Significant accounting policies (continued)

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

(q) Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

(r) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

(s) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, contract assets and loans to related parties).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

2 Significant accounting policies (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 Significant accounting policies (continued)

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

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including construction in progress;
- right-of-use assets;
- goodwill;
- intangible assets;
- investments in joint ventures;
- investments in associates; and
- other non-current assets;

2 Significant accounting policies (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(t) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the moving weighted-average method, and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

2 Significant accounting policies (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contact costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as land under development (see note 2(p)), properties under development (see note 2(q)), inventory (see note 2(t)(i)), property, plant and equipment (see note 2(l)) or intangible assets (see note 2(n)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(cc).

2 Significant accounting policies (continued)

(u) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(cc)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(s)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(v)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(cc)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(v)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(cc)).

(v) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(s)(i)).

(w) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(s)(i).

(x) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 Significant accounting policies (continued)

(y) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(ee)).

(z) Employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. 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 which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs 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.

(ii) Share-based payments

Jinmao operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Jinmao's operations. Employees (including directors) of Jinmao 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 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, further details of which are given in note 42 to the financial statements.

2 Significant accounting policies (continued)

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

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

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

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

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

(iii) Termination benefits

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

2 Significant accounting policies (continued)

(aa) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(k), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(bb) Provisions and contingent liabilities

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

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

(cc) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

2 Significant accounting policies (continued)

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, 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 with the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of industrial products (including fertilisers and chemical products)

Revenue from the sale of industrial products is recognised when the customers collect the products from the Group's premises or when the products are delivered to the location designated by customers. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

The products can only be returned due to product quality issue. Because the number of return is extremely low in previous years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

(ii) Sale of completed properties

Revenue from the sale of completed properties is recognised at the point in time when control of the asset is transferred to the customer, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has obtained the right to payment and the collection of the consideration is probable.

(iii) Land development

Revenue from land development is recognised at the point in time when control of the asset is transferred to the customers, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured.

2 Significant accounting policies (continued)

(iv) Hotel operations

Hotel and other service income is recognised in the period in which such services are rendered.

(v) Property management services

Revenue from the rendering of property management services is recognised over the scheduled period on a straight-line basis.

(vi) Design and decoration services

Revenue from the rendering of design and decoration 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 design and decoration services.

(vii) Rental income

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

(viii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(ix) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(s)(i)).

2 Significant accounting policies (continued)

(x) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss over the useful life of the related asset on a reasonable and systematic manner or deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

(dd) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(ee) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

2 Significant accounting policies (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(ff) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and

- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(gg) Related parties

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

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

(B) has significant influence over the Group; or

(C) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

2 Significant accounting policies (continued)

(E) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

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

(hh) Segment reporting

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

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

3 Accounting judgements and estimates

In the application of the Group's accounting policies which are described in note 2, the directors of the Company have made judgements, estimates and assumptions concerning the future that have a significant risk of material adjustments on the amounts recognised in the consolidated financial statements within the next financial year.

(a) Critical accounting judgements in applying the Group's accounting policies

(i) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

3 Accounting judgements and estimates (continued)

Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(ii) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention of holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

(iii) Consolidation of an entity in which the Group holds less than a majority of voting rights

The Group considers that it controls Jinmao even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Jinmao with a 35.06% equity interest. The remaining 64.94% of the equity shares in Jinmao are widely held by many other shareholders. There has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

(b) Sources of estimation uncertainty

Notes 15, 17, 41(f) and 42 contain information about the assumptions and their risk factors relating to valuation of investment property, goodwill impairment, financial instruments, and fair value of share options granted. Other significant sources of estimation uncertainty are as follows:

3 Accounting judgements and estimates (continued)

(i) Impairment of non-financial assets other than goodwill

The Group assesses its non-financial assets for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets may not be recoverable and, as a result, charges for impairment are recognised in the Group's results from time to time. Such indicators include changes in the Group's business plans, changes in commodity prices leading to sustained unprofitable performance, an increase in the discount rate, change in estimation on the future production period due to statutory requirements and approval, evidence of physical damage and significant downward revisions of estimated volumes or increases in estimated future development expenditure. If there are low fertiliser prices or marketing margins and disapproval of future productions during an extended period, the Group may need to recognise significant impairment charges.

The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as political risks in the locations where assets are located, future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for global or regional market supply-and-demand conditions for products.

(ii) Measurement of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Cost of land under development during the construction stage, before the final settlement of the development cost, and other costs relating to the land under development are accrued by the Group based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2019 was HK$14,172,338,000 (2018: HK$14,461,633,000).

3 Accounting judgements and estimates (continued)

(iii) Measurement of properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in profit or loss upon recognition of the sale of properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of that phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. The carrying amount of properties under development at 31 December 2019 was HK$140,783,627,000 (2018: HK$112,522,270,000).

(iv) PRC land appreciation tax ("LAT")

Some subsidiaries of the Group are subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. The final outcome may be different from the amounts that were initially recorded, and the differences will affect the current income tax expense and LAT provision in the period when LAT is ascertained. The carrying amount of provision for LAT at 31 December 2019 was HK$3,672,778,000 (2018: HK$3,059,697,000).

(v) Estimation of net realisable value of properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amount of properties held for sale at 31 December 2019 was HK$13,154,012,000 (2018: HK$10,261,498,000).

(vi) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's technological experience with similar assets taking into account anticipated technological changes. The depreciation expenses for a future period are adjusted if there are significant changes from previous estimations.

3 Accounting judgements and estimates (continued)

(vii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was HK$793,653,000 (2018: HK$457,989,000).

(viii) Deferred tax liabilities

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of the subsidiaries in the PRC to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If these distributed earnings of the subsidiaries in the PRC are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liabilities would have increased by the same amount of approximately HK$1,939,682,000 (2018: HK$1,881,584,000).

(ix) PRC Enterprise income tax

Some subsidiaries of the Group are subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining in the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of PRC income tax payable at 31 December 2019 was HK$2,874,160,000 (2018: HK$1,953,035,000).

(x) 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 (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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 (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, 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.

3 Accounting judgements and estimates (continued)

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 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 28 and 30 to the consolidated financial statements, respectively.

(xi) Write-down of inventories

Determining whether inventories are written down requires an estimation of their net realisable value. Net realisable value of inventories is the expected selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles.

The Group reassesses these estimates at the end of each reporting period. As at 31 December 2019, the carrying amount of inventories was HK$194,430,000 (2018: HK$6,476,494,000).

(xii) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are (i) manufacturing and sales of fertilisers (see note 10, "discontinued operations"), (ii) properties and land development, property investment, hotel operations and provision of property management service, and (iii) trading of chemical products (see note 10, "discontinued operations"). Further details regarding the Group's principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue by major products or service lines is as follow:

	Continuing operations		*Discontinued operations*		*Total*	
	2019 HK$ '000	*2018* HK$ '000 (Restated)	*2019* HK$ '000	*2018* HK$ '000 (Restated)	*2019* HK$ '000	*2018* HK$ '000 (Restated)
Revenue from contracts with customers within the scope of HKFRS 15						
Disaggregated by major products or service lines						
Sale of fertilisers	-	-	26,076,860	27,195,457	26,076,860	27,195,457
Sale of chemical products	-	-	2,017	2,759,774	2,017	2,759,774
Sale of completed properties	37,983,635	30,265,495	-	-	37,983,635	30,265,495
Land development	4,875,423	9,628,528	-	-	4,875,423	9,628,528
Hotel operations	2,235,039	2,421,862	-	-	2,235,039	2,421,862
Property management	2,523,096	1,774,807	-	-	2,523,096	1,774,807
Revenue from other sources						
Gross rentals from investment properties	1,633,046	1,693,554	-	-	1,633,046	1,693,554
Others	362,874	547,555	-	-	362,874	547,555
	49,613,113	46,331,801	26,078,877	29,955,231	75,691,990	76,287,032

4 Revenue and segment reporting (continued)

No revenue from a single external customer accounts for 10% or more of the Group's revenue during both years.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b)(i).

(ii) Performance obligations

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

Sale of industrial products (including fertilisers and chemical products-discontinued operations)

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery. Sale of goods is made in a short period of time and the performance obligation is mostly satisfied in one year or less from the end of each year.

Sale of completed properties

The performance obligation is satisfied upon delivery of the completed properties.

Land development

The performance obligation is satisfied when the land development is completed.

Hotel operations

The performance obligation is satisfied as services are rendered. Short-term advances are sometimes required before rendering the services.

Property management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Property management service contracts are for periods of one year or less, or are billed based on the time incurred.

Design and decoration services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 60 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 customer satisfaction of the service quality over a certain period as stipulated in the contracts.

4 Revenue and segment reporting (continued)

(iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The amount of remaining performance obligation of pre-completion sales contracts for properties under development is approximately the same as the balance of contract liabilities associated to sales of properties as of 31 December 2019.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales that had an original expected duration of one year or less or are billed based on performance completed.

(b) Segment reporting

The Group organises its business activities into the following operating segments: (i) fertilisers, (ii) real estate, and (iii) others (mainly chemical product trading and securities investment).

4 Revenue and segment reporting (continued)

(i) Segment results

The Group disposed of its fertilisers business in the fertilisers segment and chemical product trading business in the others segment during the year ended 31 December 2019. Accordingly, the fertilisers segment and chemical product trading business in the others segment have been classified as discontinued operations and excluded from the segment information for the continuing operations for the years ended 31 December 2019 and 2018.

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

	Continuing operations				*Discontinued operations*					
	Real estate		*Others*		*Fertilisers*		*Others*		*Total*	
	2019	*2018* (Note)	*2019*	*2018* (Note)	*2019*	*2018* (Note)	*2019*	*2018* (Note)	*2019*	*2018* (Note)
	HK$ '000	HK$ '000 (Restated)	HK$ '000	HK$ '000 (Restated)	HK$ '000	HK$ '000 (Restated)	HK$ '000	HK$ '000 (Restated)	HK$ '000	HK$ '000 (Restated)
Disaggregated by timing of revenue recognition										
Point in time	42,859,058	39,894,023	-	-	26,076,860	27,195,457	2,017	2,759,774	68,937,935	69,849,254
Over time	6,372,935	5,880,887	381,120	556,891	-	-	-	-	6,754,055	6,437,778
Revenue from external customers	49,231,993	45,774,910	381,120	556,891	26,076,860	27,195,457	2,017	2,759,774	75,691,990	76,287,032
Inter-segment revenue	29,026	30,342	1,557,517	1,889,266	-	-	18,021	18,023	1,604,564	1,937,631
Reportable segment revenue	49,261,019	45,805,252	1,938,637	2,446,157	26,076,860	27,195,457	20,038	2,777,797	77,296,554	78,224,663
Reportable segment result (adjusted profit/(loss) before taxes)	11,402,476	13,998,380	1,742,679	2,374,439	753,090	488,698	2,690	16,406	13,900,935	16,877,923

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

4 Revenue and segment reporting (continued)

(ii) Reconciliations of reportable segment revenues and profit or loss

	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	HK$ '000	HK$ '000 (Restated)	HK$ '000	HK$ '000 (Restated)	HK$ '000	HK$ '000 (Restated)
Revenue						
Reportable segment revenue	51,199,656	48,251,409	26,096,898	29,973,254	77,296,554	78,224,663
Elimination of inter-segment revenue	(1,586,543)	(1,919,608)	(18,021)	(18,023)	(1,604,564)	(1,937,631)
Consolidated revenue (note 4(a))	49,613,113	46,331,801	26,078,877	29,955,231	75,691,990	76,287,032
Profit/(loss)						
Reportable segment profit	13,145,155	16,372,819	755,780	505,104	13,900,935	16,877,923
Elimination of inter-segment profits	(1,559,668)	(1,877,872)	13	3	(1,559,655)	(1,877,869)
Consolidated profit	11,585,487	14,494,947	755,793	505,107	12,341,280	15,000,054
Interest income	3,129,987	2,085,748	158,332	242,932	3,288,319	2,328,680
Finance costs (notes 6 and 10)	(3,438,494)	(4,054,002)	(193,750)	(257,733)	(3,632,244)	(4,311,735)
Gains on disposal of subsidiaries (note 5)	1,156,681	85,431	-	-	1,156,681	85,431
Gains on disposal of joint ventures and associates	872,072	-	2,579	-	874,651	-
Gain on bargain purchase (note 5)	456,718	88,686	-	-	456,718	88,686
Share of profits and losses of:						
Joint ventures	820,779	436,596	(329)	33,485	820,450	470,081
Associates	(111,291)	127,754	23,134	20,895	(88,157)	148,649
Consolidated profit before taxation	14,471,939	13,265,160	745,759	544,686	15,217,698	13,809,846

4 Revenue and segment reporting (continued)

(iii) Geographical information

The Group principally operates in the PRC and its major operating assets are located in the PRC. The following table sets out information about the geographical locations of the Group's revenue from external customers. The geographical locations of customers are based on the locations at which the services were provided or the goods were delivered.

	Continuing operations				*Discontinued operations*					
	Real estate		*Others*		*Fertilisers*		*Others*		*Total*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
	HK$ '000	HK$ '000 (Restated)	HK$ '000	HK$ '000 (Restated)	HK$ '000	HK$ '000 (Restated)	HK$ '000	HK$ '000 (Restated)	HK$ '000	HK$ '000 (Restated)
Geographical										
Mainland China	49,231,993	45,774,910	-	-	25,138,510	26,056,029	2,017	1,722,341	74,372,520	73,553,280
Other countries/regions	-	-	381,120	556,891	938,350	1,139,428	-	1,037,433	1,319,470	2,733,752
Total revenue	49,231,993	45,774,910	381,120	556,891	26,076,860	27,195,457	2,017	2,759,774	75,691,990	76,287,032

5 Other income, gains and losses, net

	2019	*2018*
	HK$'000	HK$'000 (Restated)
Other income		
Interest on bank and other deposits	662,241	555,903
Interest on other advances	2,209,205	1,385,697
Investment income on other financial assets	258,541	144,148
Government grants (note)	65,956	69,757
Default penalty income	25,335	8,680
Sundry income	434,410	400,150
	3,655,688	2,564,335
Gains and losses		
Losses/(gains) on disposal of:		
Property, plant and equipment	(56)	(1,434)
Subsidiaries (note 44)	1,156,681	85,431
Joint ventures and associates	872,072	-
Gain on bargain purchase (note 43)	456,718	88,686
Impairment losses on:		
Intangible assets	-	(43)
Trade and bills receivables	(7,433)	(4,377)
Prepayments, other receivables and other assets	-	(1,563)
Provision for penalty claims	-	106
Foreign exchange differences, net	(87,427)	53,122
Fair value losses/(gains), net:		
Other financial assets	(15,939)	(71)
Derivative financial instruments - transactions not qualifying as hedges	(16,674)	(4,652)
Ineffectiveness of net investment hedges	-	(30,143)
Transfers from properties held for sale to investment properties	404,538	52,007
Equity interest previously held as investments in joint ventures and associates (note 43)	393,398	120,359
Others	(367)	(5,292)
	3,155,511	352,136
Other income, gains and losses, net	6,811,199	2,916,471

Note: Government grants mainly comprised payments from the government to support the business development of the entities within the Group in accordance with applicable law and regulations in the PRC.

6 Finance costs

	2019	*2018*
		(Note)
	HK$'000	HK$'000
		(Restated)
Interest on bank and other loans, overdrafts, notes and bonds	8,315,984	7,393,177
Interest on advances from related parties	372,283	92,920
Effective interest expenses on commercial paper	-	9,676
Interest on lease liabilities	6,522	-
Total borrowing costs	8,694,789	7,495,773
Less: Interest capitalised in properties under development and other qualifying assets	(5,286,055)	(3,496,943)
Total interest expenses	3,408,734	3,998,830
Transaction costs	29,760	55,172
	3,438,494	4,054,002

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

7 Profit before tax from continuing operations

	2019	*2018*
	HK$'000	HK$'000
		(Restated)
Cost of properties sold	28,564,125	20,836,848
Cost of land development	2,815,224	4,831,574
Cost of services provided	3,378,370	2,943,937
Depreciation of property, plant and equipment	467,038	453,761
Depreciation of right-of-use assets	159,118	-
Amortisation of intangible assets	15,233	12,719
Amortisation of prepaid land lease payments	-	64,423
Minimum lease payments under operating leases of land and buildings	-	95,194
Auditors' remuneration	8,532	10,028
Direct operating expenses arising from investment properties that generated rental income	245,765	227,111
Staff costs:		
Directors' emoluments	5,767	3,042
Wages and salaries	2,455,842	1,908,345
Equity-settled share-based payment expense	95,502	25,912
Contributions to retirement benefit schemes	141,600	149,637

8 Income tax in the consolidated statement of comprehensive income

(a) Taxation in the consolidated statement of comprehensive income represents:

	2019 HK$'000	*2018* HK$'000 (Restated)
Hong Kong profits tax:		
Current tax	-	-
PRC tax:		
Enterprise income tax ("EIT")	3,193,019	3,770,860
Land appreciation tax ("LAT") (note 35)	2,108,305	1,735,934
Under-provision in prior years	70,807	975
	5,372,131	5,507,769
Other jurisdictions:		
Current tax	961	1,806
Over-provision in prior years	(96)	(71)
	865	1,735
Deferred taxation	(507,156)	(372,422)
Total tax charge for the year	4,865,840	5,137,082

(i) Pursuant to the income tax rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to income tax in Bermuda and the BVI.

(ii) The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits arising in Hong Kong for the year.

(iii) The provision for the PRC EIT is based on the statutory rate of 25% on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the year.

(iv) According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate properties in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including borrowing costs and all property development expenditures.

8 Income tax in the consolidated statement of comprehensive income (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 HK$'000	*2018* HK$'000 (Restated)
Profit before tax from continuing operations	14,471,939	13,265,160
Tax at the statutory income tax rate	3,594,294	3,462,186
LAT (note 35)	2,108,305	1,735,934
Tax effect of LAT	(527,076)	(433,983)
Withholding tax on interest income from group companies	73,264	51,157
Under-provision in prior years	70,711	904
Income not subject to tax	(626,239)	(210,546)
Expenses not deductible for tax	488,480	602,176
Tax effect of share of profits and losses of associates and joint ventures	(174,020)	(131,308)
Tax losses utilised from previous periods	(379,778)	(139,740)
Tax effect of tax losses and deductible temporary differences not recognised	237,899	200,302
Income tax expense for the year	4,865,840	5,137,082

9 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2019			*2018*		
	Before-tax amount HK$'000	*Tax expense* HK$'000	*Net-of-tax* HK$'000	*Before-tax amount* HK$'000	*Tax expense* HK$'000	*Net-of-tax* HK$'000
Exchange differences on translation of:						
- Exchange differences on translation of financial statements of foreign operations	(3,077,044)	-	(3,077,044)	(5,791,277)	-	(5,791,277)
- Reclassification adjustments for foreign operations disposed during the year	(59,220)	-	(59,220)	(45,666)	-	(45,666)
	(3,136,264)	-	(3,136,264)	(5,836,943)	-	(5,836,943)
Gain on property revaluation	175,222	(35,607)	139,615	51,044	(12,258)	38,786
Cash flow hedge: net movement in hedging reserve	(17,005)	-	(17,005)	29,520	-	29,520
Net investment hedges: net movement in hedging reserve	-	-	-	3,646	-	3,646
Changes in fair value of equity investments at FVOCI	(148,194)	-	(148,194)	(334,344)	-	(334,344)
Other comprehensive income	(3,126,241)	(35,607)	(3,161,848)	(6,087,077)	(12,258)	(6,099,335)

10 Discontinued operations

According to the "*Response to the Approval of Assets Reorganization of Agricultural Businesses of Sinochem Group and ChemChina (Zhonghuaban [2019] No.79)*" (關於同意兩化農業業務資產重組的批復(中化辦 [2019] 79 號)) approved and issued by Sinochem Group Co., Ltd. ("Sinochem Group") and China National Chemical Corporation Ltd. ("ChemChina"), both of which are state-owned enterprises under the direct supervision and administration of State-owned Assets Supervision and Administration Commission ("SASAC"), on 30 December 2019, Sinochem Group would transfer 52.65% of the equity interests in Sinofert Holdings Limited ("Sinofert") and 100% of equity interests in Sinochem (United Kingdom) Limited ("Sinochem UK") to ChemChina with the benchmark date on 31 December 2018 and for a nominal consideration of US$1, respectively. According to the share transfer agreements signed between the Company and Chem China, except for the retained earnings distributed or declared to be distributed by Sinofert and Sinochem UK prior to the execution of the share transfer agreements, all the remaining undistributed retained earnings, asset appreciations and other interests associated with the equity interests in Sinofert and Sinochem UK which were accrued by Sinofert and Sinofert UK as of the benchmark date, and the profits and losses of Sinofert and Sinochem UK during the transition period from the signing date of the share transfer agreements to the date of closing of the transfers corresponding to the equity interests in Sinofert and Sinochem UK, shall be enjoyed or assumed by Chem China.

10 Discontinued operations (continued)

On 30 December 2019, the Company, a subsidiary of Sinochem Group, disposed of all of its equity interests in Sinofert to China Chemical (Shanghai) Agriculture Technology Corporation Ltd., a subsidiary of ChemChina. The loss arising from the transfer of HK$9,662,495,000 is recognised directly in equity as deemed distributions.

On 30 December 2019, the Company disposed of all of its equity interests in Sinochem UK to CNAC (HK) Holdings Company Limited., a subsidiary of ChemChina. The loss arising from the transfer of HK$48,379,000 is recognised directly in equity as deemed distributions.

On 30 December 2019, the Group disposed of all of its equity interests in Sinochem Trading (Singapore) Pte Ltd. to Sinochem Lantian Co., Ltd., a fellow subsidiary of the Company, for a cash consideration of US$8,542,382.57 (equivalent to HK$66,548,000). The loss arising from the transfer of HK$4,469,000 is recognised directly in equity as deemed distributions.

(a) Results of discontinued operations:

	Note	*2019* HK$'000	*2018* HK$'000
Revenue	4	26,078,877	29,955,231
Cost of sales		(23,691,137)	(27,647,294)
Gross profit		2,387,740	2,307,937
Other income, gains and losses, net		208,868	291,997
Selling and distribution expenses		(927,210)	(1,079,640)
Administrative expenses		(752,694)	(772,255)
Finance costs		(193,750)	(257,733)
Share of profits and losses of:			
Joint ventures		(329)	33,485
Associates		23,134	20,895
Profit before tax from discontinued operations		745,759	544,686
Income tax expense		(8,020)	42,944
Profit for the year from discontinued operations		737,739	587,630

10 Discontinued operations (continued)

	2019 HK$'000	*2018* HK$'000
Profit for the year from discontinued operations	737,739	587,630
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of foreign operations	(149,229)	(272,031)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at FVOCI, net of tax	(93,289)	(32,881)
Other comprehensive income for the year from discontinued operations, net of tax	(242,518)	(304,912)
Total comprehensive income for the year from discontinued operations, net of tax	495,221	282,718

(b) Cash flows generated from discontinued operations:

	2019 HK$'000	*2018* HK$'000
Net cash generated from/(used in) operating activities	1,509,042	(769,935)
Net cash generated from investing activities	291,298	3,974,915
Net cash used in financing activities	(1,256,247)	(2,709,955)
Effect of foreign exchange rate changes, net	(36,267)	(22,822)
Net cash inflow	507,826	472,203

11 Dividends

	2019 HK$'000	*2018* HK$'000
Dividends declared during the year	389,393	862,353

According to the board of directors' meeting, on 27 December 2019, dividends amounting to US$50,000,000 (equivalent to HK$389,393,000) were declared to the immediate parent, and was paid on 23 April 2020.

According to the board of directors' meetings, on 4 January 2018 and 31 December 2018, dividends amounting to US$60,198,000 and US$50,000,000 (equivalent to HK$470,708,000 and HK$391,645,000) were declared to the immediate parent respectively, among which US$60,198,000 (equivalent to HK$470,708,000) was paid on 4 January 2018, and US$50,000,000 (equivalent to HK$391,645,000) was paid on 14 May 2019.

12 Property, plant and equipment

	Hotel properties HK$'000	*Buildings* HK$'000	*Leasehold improvements* HK$'000	*Furniture and fixtures* HK$'000	*Office and machinery equipment* HK$'000	*Motor vehicles* HK$'000	*Construction in progress* HK$'000	*Total* HK$'000
At 31 December 2018 and at 1 January 2019								
Cost	10,007,879	4,177,025	33,954	2,720,526	3,666,490	147,924	3,157,771	23,911,569
Accumulated depreciation and impairment	(1,970,640)	(1,734,427)	(33,954)	(1,573,508)	(2,936,762)	(101,465)	(21,519)	(8,372,275)
Net carrying amount	8,037,239	2,442,598	-	1,147,018	729,728	46,459	3,136,252	15,539,294
At 1 January 2019, net of accumulated depreciation and impairment	8,037,239	2,442,598	-	1,147,018	729,728	46,459	3,136,252	15,539,294
Additions	20,003	65,517	1,550	126,906	82,499	9,334	883,202	1,189,011
Acquisition of subsidiaries (note 43)	-	-	-	87,191	4,522	151	83,854	175,718
Transfers	(65,701)	29,205	-	65,506	134,363	-	(163,373)	-
Transfer to investment properties (note 15)	(103,859)	(537,592)	-	(7)	-	-	-	(641,458)
Transfer from properties under development (note 14)	-	126,493	-	-	-	-	-	126,493
Other disposals	(4,807)	(4,279)	(1)	(3,565)	(4,088)	(2,914)	(30,689)	(50,343)
Discontinued operations (note 10)	-	(995,447)	-	(205,717)	(493,265)	(28,108)	(950,626)	(2,673,163)
Disposal of subsidiaries (note 44)	-	-	-	-	(1,014)	(161)	-	(1,175)
Gains on property revaluation in relation to the transfers to investment properties	77,242	97,980	-	-	-	-	-	175,222
Depreciation charge for the year	(247,248)	(136,580)	(549)	(154,689)	(188,127)	(11,715)	-	(738,908)
Impairment loss	-	(6,420)	-	(176)	(8,813)	-	-	(15,409)
Others (Note iii)	-	(407,625)	-	(9,070)	(120,337)	(27)	-	(537,059)
Exchange adjustments	(170,374)	(44,728)	2	(36,205)	878	55	(82,239)	(332,611)
At 31 December 2019, net of accumulated depreciation and impairment	7,542,495	629,122	1,002	1,017,192	136,346	13,074	2,876,381	12,215,612
At 31 December 2019:								
Cost	9,770,376	897,263	28,210	2,225,971	338,294	70,009	2,876,381	16,206,504
Accumulated depreciation and impairment	(2,227,881)	(268,141)	(27,208)	(1,208,779)	(201,948)	(56,935)	-	(3,990,892)
Net carrying amount	7,542,495	629,122	1,002	1,017,192	136,346	13,074	2,876,381	12,215,612

12 Property, plant and equipment (continued)

	Hotel properties HK$'000	*Buildings* HK$'000	*Leasehold improvements* HK$'000	*Furniture and fixtures* HK$'000	*Office and machinery equipment* HK$'000	*Motor vehicles* HK$'000	*Construction in progress* HK$'000	*Total* HK$'000
At 31 December 2017 and at 1 January 2018:								
Cost	10,792,168	3,916,606	35,030	2,380,893	3,725,151	161,694	3,044,568	24,056,110
Accumulated depreciation and impairment	(1,781,937)	(1,701,469)	(34,101)	(1,512,207)	(2,929,133)	(110,705)	(22,556)	(8,092,108)
Net carrying amount	9,010,231	2,215,137	929	868,686	796,018	50,989	3,022,012	15,964,002
At 1 January 2018, net of accumulated depreciation and impairment	9,010,231	2,215,137	929	868,686	796,018	50,989	3,022,012	15,964,002
Additions	20,785	51,250	-	83,278	16,763	14,386	698,007	884,469
Acquisition of subsidiaries	-	-	-	1,950	-	-	-	1,950
Transfers	(277,665)	36,212	-	404,171	124,472	(1,281)	(285,909)	-
Transfer from investment properties (note 15)	-	450,979	-	-	-	-	-	450,979
Transfer to investment properties (note 15)	-	(119,591)	-	-	-	-	-	(119,591)
Other disposals	(42,141)	(6,476)	-	(2,506)	(1,273)	(1,874)	(43,349)	(97,619)
Disposal of subsidiaries (note 44)	-	-	-	(3,413)	-	(512)	-	(3,925)
Gains on property revaluation in relation to the transfers to investment properties	-	51,044	-	-	-	-	-	51,044
Depreciation charged for the year	(279,944)	(141,478)	(975)	(154,203)	(169,987)	(12,910)	-	(759,497)
Others	-	-	-	-	-	-	(106,410)	(106,410)
Exchange adjustments	(394,027)	(94,479)	46	(50,945)	(36,265)	(2,339)	(148,099)	(726,108)
At 31 December 2018, net of accumulated depreciation and impairment	8,037,239	2,442,598	-	1,147,018	729,728	46,459	3,136,252	15,539,294
At 31 December 2018:								
Cost	10,007,879	4,177,025	33,954	2,720,526	3,666,490	147,924	3,157,771	23,911,569
Accumulated depreciation and impairment	(1,970,640)	(1,734,427)	(33,954)	(1,573,508)	(2,936,762)	(101,465)	(21,519)	(8,372,275)
Net carrying amount	8,037,239	2,442,598	-	1,147,018	729,728	46,459	3,136,252	15,539,294

(i) In the opinion of the directors, certain ownership interests in land continue to be accounted for as property, plant and equipment as the allocation between the land and building elements cannot be made reliably.

(ii) At the end of the reporting period, certain of the Group's property, plant and equipment with an aggregate net carrying amount of approximately HK$332,004,000 (2018: HK$357,948,000) were pledged to secure bank loans granted to the Group (note 34).

(iii) The government of Fuling District in Chongqing ("the Government") and Sinofert entered into a relocation agreement ("the relocation agreement") on 6 August 2019. Pursuant to the relocation agreement, Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling"), a subsidiary of Sinofert, will relocate its factories in Nananpu, demolish the buidings, restore the land and return it to the Government no later than June 2021. In return, the Government will compensate the losses of Sinochem Fuling arising from the relocation, with a cap of RMB 1billion, after the Government receives the land.

Sinochem Fuling started demolishing the factory in November 2019. The carrying amounts of the related property, plant and equipment and also the land lease prepayment were reclassified as other long-term assets. The Group has transferred its investments in Sinofert on 30 December 2019 as disclosed in Note 10 and the carrying amounts of the related property, plant and equipment have been derecognized from the Group as at 31 December 2019.

13 Land under development

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's land development projects (the "Projects") in Mainland China. Though the Group does not have the ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

	2019	*2018*
	HK$'000	HK$'000
Carrying amount:		
At 1 January	14,461,633	18,991,358
Additions	3,101,411	2,077,172
Recognised in profit or loss during the year	(3,073,436)	(5,866,089)
Exchange adjustments	(317,270)	(740,808)
At 31 December	14,172,338	14,461,633
Current portion	(2,222,109)	(3,537,625)
Non-current portion	11,950,229	10,924,008

14 Properties under development

	2019	*2018*
	HK$'000	HK$'000
Carrying amount:		
At 1 January	112,522,270	79,585,479
Additions	52,791,384	53,239,307
Acquisition of subsidiaries (note 43)	11,357,673	15,365,774
Disposal of subsidiaries (note 44)	(9,198,216)	(13,506,712)
Transfer to properties held for sale	(23,550,264)	(17,177,923)
Transfer to properties, plant and equipment (note 12)	(126,493)	-
Exchange adjustments	(3,012,727)	(4,983,655)
At 31 December	140,783,627	112,522,270
Current portion	(68,405,597)	(55,320,904)
Non-current portion	72,378,030	57,201,366

At 31 December 2019, certain of the Group's properties included in properties under development with a net carrying amount of approximately HK$56,086,524,000 (2018: HK$51,276,029,000) were pledged to secure bank loans granted to the Group (note 34).

15 Investment properties

	2019 HK$'000	*2018* HK$'000
Fair value:		
At 1 January	33,856,049	34,148,727
Additions	784,803	1,341,728
Fair value changes recognised in profit or loss	513,625	235,291
Transfer from property, plant and equipment (note 12)	641,458	119,591
Transfer to property, plant and equipment	-	(450,979)
Transfer from properties held for sale	918,856	52,007
Transfer from right-of-use assets (note 16)	2,199	-
Exchange adjustments	(762,081)	(1,590,316)
At 31 December	35,954,909	33,856,049

At 31 December 2019, certain of the Group's investment properties with a carrying value of HK$14,403,217,000 (2018: HK$14,480,989,000) were pledged to secure bank loans granted to the Group (note 34).

(a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement.* The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

15 Investment properties (continued)

	Fair value measurement as at 31 December 2019 using		
	Significant observable inputs (Level 2) HK$'000	*Significant unobservable inputs* (Level 3) HK$'000	*Total* HK$'000
Recurring fair value measurement for:			
Commercial properties	403,966	35,550,943	35,954,909

	Fair value measurement as at 31 December 2018 using		
	Significant observable inputs (Level 2) HK$'000	*Significant unobservable inputs* (Level 3) HK$'000	*Total* HK$'000
Recurring fair value measurement for:			
Commercial properties	410,922	33,445,127	33,856,049

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).

The Group's investment properties mainly belong to Jinmao. Jinmao's investment properties consist of 17 commercial properties in Mainland China. The directors of Jinmao have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. Sixteen of Jinmao's investment properties were revalued individually on 31 December 2019 based on valuations performed by Cushman & Wakefield Limited, Shanghai Cairui Real Estate Land Appraisal Co., Ltd., Beijing Renda Real Estate Appraisal Co., Ltd., and Beijing Zhuoxindahua Appraisal Co., Ltd., independent professionally qualified valuers. Jinmao's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

As at 31 December 2019, one of Jinmao's investment properties was a right-of-use asset relating to a building which will be leased out under one or more operating leases. This investment property was valued at approximately HK$110,224,578 as at 31 December 2019 by Jinmao's management based on discounted cash flow method.

The Company has one investment property located in Hong Kong. The investment property was revalued on 31 December 2019 based on valuation performed by Knight Frank Petty Limited, an independent professionally qualified valuer.

Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

15 Investment properties (continued)

(ii) Information about Level 3 fair value measurements

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

	Valuation techniques	*Significant unobservable inputs*	*Range or weighted average* 2019	2018
Property 1 - Beijing Chemsunny World Trade Centre	Term and reversion method	Term yield Reversionary yield Market rent (per square metre ("sqm") per annum("p.a."))	5.50% 6.00% HK$6,075 - HK$11,051	6.00% 6.50% HK$6,258 - HK$11,509
Property 2 - Sinochem Tower	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	3.00% - 5.50% 3.50% - 6.00% HK$3,597 - HK$10,908	3.00% - 5.50% 3.50% - 6.00% HK$3,534 - HK$11,637
Property 3 - Jin Mao Tower	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	3.50% - 4.50% 4.00% - 5.00% HK$5,248 - HK$13,634	3.50% - 4.50% 4.00% - 5.00% HK$4,995 - HK$14,191
Property 4 - Zhuhai Every Garden	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	5.00% - 6.25% 5.50% - 6.50% HK$589 - HK$818	5.50% - 6.25% 6.00% - 6.50% HK$610 - HK$880
Property 5 - Nanjing Xuanwu Lake Jin Mao Plaza	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	3.50% - 4.50% 4.00% - 5.00% HK$2,454 - HK$8,590	3.50% - 4.50% 4.00% - 5.00% HK$2,469 - HK$8,799
Property 6 - Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a.) Rental growth p.a. Long term vacancy rate Discount rate	HK$1,157 0.00% - 3.00% (3.00%) 8.22% 6.00%	HK$777 0.00% - 3.00% (3.00%) 4.11% 6.00%
Property 7 - Lijiang J•LIFE	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	5.50% 5.50% HK$1,186	5.50% 6.00% HK$1,518
Property 8 - Shanghai International Shipping Service Centre	Market comparable method	Price per sqm	HK$64,984 - HK$102,570	HK$67,476
Property 9 - Qingdao Jinmao Harbour Shopping Mall	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	4.00% 4.50% HK$1,868	4.00% 4.50% HK$1,930
Property 10 - Ningbo Jiayuan Plaza	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	4.00% 4.50% HK$777 - HK$5,726	4.00% 4.50% HK$795 - HK$5,676
Property 11 - Ningbo Huijin Tower	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	4.00% 4.50% HK$994 - HK$5,726	4.00% 4.50% HK$1,041 - HK$5,676
Property 12 - Changsha Jinmao Mall of Splendor	Discounted cash flow method	Estimated rental value (per sqm p.a.) Rental growth p.a. Long term vacancy rate Discount rate	HK$1,365 3.00% 5.00% 6.76%	HK$1,420 3.61% 5.00% 6.00%
Property 13 - Beijing Chaoyang Jinmao Centre Project	Residual method Term and reversion method	Developer's profit rate Reversionary yield Market rent (per sqm p.a.)	5.00% 5.00% - 5.50% HK$2,591 - HK$4,090	5.00% 5.00% - 5.50% HK$2,696 - HK$4,257
Property 14 - Nanjing Southern Hexi Yuzui Land Parcel No.G97	Residual method Term and reversion method	Developer's profit rate Reversionary yield Market rent (per sqm p.a.)	5.00% 3.00% - 6.00% HK$1,909 - HK$2,890	5.00% 3.00% - 6.00% HK$1,987 - HK$3,009
Property 15 - Hangzhou Shangtang Project	Residual method Term and reversion method	Developer's profit rate Reversionary yield Market rent (per sqm p.a.)	5.00% 2.00% HK$1,582	5.00% 2.00% HK$1,646

15 Investment properties (continued)

	Valuation techniques	*Significant unobservable inputs*	*Range or weighted average* 2019	2018
Property 16 - Wangfujing Quadrangle Courtyard	Term and reversion method	Term yield	4.00%	N/A
		Reversionary yield	4.50%	N/A
		Market rent (per sqm p.a.)	HK$7,022	N/A
Property 17 - Jinmao Boill e-Wisdom Valley Executive Apartment	Term and reversion method	Term yield	4.84%	N/A
		Reversionary yield	4.84%	N/A
		Market rent (per sqm p.a.)	HK$756	N/A
Property 18 - Hong Kong Convention Plaza Office Building 47/F	Term and reversion method	Estimated rental value (per sq. ft/per month)	HK$107 - HK$109	HK$95 - HK$111
		Capitalisation rate	2.70%	2.60%

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase/(decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. A significant increase/(decrease) in the market rent would result in a significant increase/(decrease) in the fair value of the investment properties.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

15 Investment properties (continued)

Under the market comparable method, a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square meter of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, e.g., crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis".

The market comparable method is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square metre. The market comparable approach is often used in combination with either the discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

A significant increase/(decrease) in the price per square metre would result in a significant increase/(decrease) in the fair value of the investment properties.

The residual method is essentially a mean of valuing land with reference to its development potential by deducting construction cost, interest and developer's profit from its estimated gross development value assuming it would have been completed as at the valuation date in accordance with the latest development scheme provided to the Group by relevant parties. The estimated total and outstanding construction costs and development schedule to be advised by the relevant parties will also be considered.

A significant increase/(decrease) in the developer's profit rate would result in a significant decrease/(increase) in the fair value of the investment properties.

15 Investment properties (continued)

(b) The Group as a lessor

The Group leases out investment property under operating leases.

At 31 December 2019, the undiscounted lease payments under non-cancellable operating leases will be receivable by the Group in future periods as follows:

	2019 HK$'000	*2018* HK$'000
Within one year	1,500,154	1,431,372
After one year but within two years	1,039,343	1,198,536
After two years but within three years	443,033	711,201
After three years but within four years	197,104	190,093
After four years but within five years	148,903	152,151
After five years	248,505	357,572
	3,577,042	4,040,925

16 Right-of-use assets

(a) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Prepaid land lease payments HK$'000	*Office properties and staff quarters* HK$'000	*Total* HK$'000
As at 1 January 2019	2,283,325	113,040	2,396,365
Other additions	56,761	138,005	194,766
Additions as a result of acquisition of subsidiaries (note 43)	11,954	11,554	23,508
Transfer to investment properties (note 15)	(2,199)	-	(2,199)
Depreciation charge	(76,935)	(98,410)	(175,345)
Other disposals	(96,457)	-	(96,457)
Disposal of subsidiaries (note 10)	(482,054)	(4,196)	(486,250)
Exchange adjustments	(44,424)	(3,497)	(47,921)
As at 31 December 2019	1,649,971	156,496	1,806,467

At 31 December 2019, certain of the Group's right-of-use assets with a net carrying amount of HK$159,487,000 (2018: prepaid land lease payments of HK$170,026,000) were pledged to secure bank loans granted to the Group (note 34).

16 Right-of-use assets (continued)

(b) The analysis of expense items in relation to leases recognised in profit or loss for continuing operations is as follows:

	2019 HK$'000	*2018* HK$'000
Depreciation charge of right-of-use assets	159,118	-
Interest on lease liabilities	6,522	-
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	7,574	-
Expense relating to leases of low-value assets	8,545	-
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	-	95,194

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 31(c) and 36, respectively.

(c) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 HK$'000	*1 January 2019* HK$'000
Ownership interests in leasehold land held for own use:	1,649,971	2,283,325
Other properties leased for own use	156,496	113,040
	1,806,467	2,396,365

17 Goodwill

	2019	*2018*
	HK$'000	HK$'000
At 1 January:		
Cost and net carrying amount	4,027,608	4,056,810
Cost at 1 January, net of accumulated impairment	4,027,608	4,056,810
Decrease due to discontinued operations (note 10)	(2,014,752)	-
Exchange adjustments	(13,286)	(29,202)
Net carrying amount at 31 December	1,999,570	4,027,608
At 31 December:		
Cost and net carrying amount	1,999,570	4,027,608

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to the CGUs of the related segments as follows:

	2019	*2018*
	HK$'000	HK$'000
Fertilisers division	-	2,028,038
Real estate division	1,999,570	1,999,570
	1,999,570	4,027,608

The recoverable amounts of these CGUs have been determined on the basis of value in use calculations by estimating the future cash flows expected from these CGUs. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct cost used in the cash flow forecasts. Cash flow forecasts are based on past practices and expectations of future changes in the market.

Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific relating to the CGUs.

17 Goodwill (continued)

Real estate division

At the end of the reporting period, the recoverable amount of the real estate division was determined based on a value in use calculation using cash flow projections based on financial budgets of 2020 covering a certain period approved by the directors of Jinmao. The after-tax discount rate applied to the cash flow projection was 9% (2018: 8.3%). Cash flows were extrapolated using a growth rate of 5% (2018: 11%) for the first two years and a steady growth rate of 3% (2018: 3%) for the following years.

The value in use calculated by using the discount rate is higher than the carrying amount of this group of CGU, and therefore, there is no impairment of the real estate division.

Fertilisers division

At 31 December 2018, the recoverable amount of Sinofert was determined based on a value in use calculation using cash flow projections based on financial budgets covering a certain period approved by the directors of Sinofert. The cash flow projections was divided for Sinofert and Sinochem Yunlong.

For Sinochem Yunlong, the pre-tax discount rate was 12.8%. The growth rates for the first three years from 2019 are based on the relevant cash-generating units' past performance and management's expectation for the market development and for the following years are based on a steady growth rate of 4.9%. The value in use calculated by using the discount rate is higher than the carrying amount, and therefore, there is no impairment of Sinochem Yunlong.

Sinofert was divided into the marketing division and the production division. The after-tax discount rates were 9.6% for the marketing division and 11% for the production division. Cash flows of the marketing division were extrapolated based on the management's forecasts for the first three years and a steady growth rate of 3% for the following years. Cash flows of the production division were extrapolated based on management's forecasts for the first three years and a steady growth rate of 3% for the following years.

The value in use calculated by using the discount rate is higher than the carrying amount of this group of CGUs, and therefore, there is no impairment of the Sinofert as at 31 December 2018.

On 30 December 2019, the Company, the controlling shareholder of which is a PRC wholly state-owned enterprise under the direct supervision and administration of SASAC, disposed of all of its equity interests in Sinofert to China Chemical (Shanghai) Agriculture Technology Corporation Ltd., a subsidiary of ChemChina which is a PRC wholly state-owned enterprise under the direct supervision and administration of SASAC with the benchmark date on 31 December 2018. The Group lost control of Sinofert and the goodwill decreased by HK$2,014,752,000 accordingly.

18 Intangible assets

	Pipeline usage rights HK$'000	*Mining rights* HK$'000	*Computer software* HK$'000	*Total* HK$'000
At 31 December 2018 and at 1 January 2019:				
Cost	202,505	876,678	147,506	1,226,689
Accumulated amortisation	(202,505)	(253,327)	(96,359)	(552,191)
Net carrying amount	-	623,351	51,147	674,498
At 1 January 2019, net of accumulated amortisation	-	623,351	51,147	674,498
Additions	-	-	21,296	21,296
Acquisition of subsidiaries (note 43)	-	-	617	617
Amortisation for the year	-	(37,566)	(15,233)	(52,799)
Other disposals	-	-	(762)	(762)
Discontinued operations (note 10)	-	(572,788)	-	(572,788)
Exchange adjustments	-	(12,997)	(1,224)	(14,221)
At 31 December 2019, net of accumulated amortisation	-	-	55,841	55,841
At 31 December 2019:				
Cost	-	-	168,127	168,127
Accumulated amortisation	-	-	(112,286)	(112,286)
Net carrying amount	-	-	55,841	55,841

	Pipeline usage rights HK$'000	*Mining rights* HK$'000	*Computer software* HK$'000	*Total* HK$'000
At 31 December 2017 and at 1 January 2018:				
Cost	202,505	918,926	125,485	1,246,916
Accumulated amortisation	(202,505)	(226,176)	(88,101)	(516,782)
Net carrying amount	-	692,750	37,384	730,134
At 1 January 2018, net of accumulated amortisation	-	692,750	37,384	730,134
Additions	-	-	29,000	29,000
Amortisation for the year	-	(38,909)	(12,719)	(51,628)
Impairment	-	-	(43)	(43)
Other disposals	-	-	(12)	(12)
Disposal of subsidiaries (note 44)	-	-	(184)	(184)
Exchange adjustments	-	(30,490)	(2,279)	(32,769)
At 31 December 2018, net of accumulated amortisation	-	623,351	51,147	674,498
At 31 December 2018:				
Cost	202,505	876,678	147,506	1,226,689
Accumulated amortisation	(202,505)	(253,327)	(96,359)	(552,191)
Net carrying amount	-	623,351	51,147	674,498

19 Joint operations and investments in joint ventures

Investments in joint ventures

	2019 HK$'000	*2018* HK$'000
Unlisted investments:		
Share of net assets	12,850,159	8,857,161

Notes:

(a) The Group has discontinued the recognition of its share of loss of certain joint ventures because the share of loss of the joint ventures exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the joint ventures for the current year and cumulatively were HK$396,296,000 (2018: HK$110,768,000) and HK$536,157,000 (2018: HK$145,572,000), respectively.

(b) The amounts due from/to joint ventures are disclosed in note 23 to the consolidated financial statements.

(c) The Group has pledged certain of the equity interests in the Group's joint ventures of approximately HK$615,827,000 (2018: Nil) to secure bank loans granted to the Group (note 34).

Joint operations

On 11 May 2010, Jinmao entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which Jinmao and Qingdao Urban Investment Group intended to jointly develop the Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Jin Mao, an indirect wholly-owned subsidiary of Jinmao was established for the purpose of operating the Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Jin Mao agreed to make a capital injection of RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City"), a wholly-owned subsidiary of Qingdao Urban Investment Group, to subscribe for its new registered capital.

On 28 July 2011, Qingdao Jin Mao completed the acquisition of a 50% equity interest in Lanhai Xingang City through contributing RMB1 billion to the newly registered capital of Lanhai Xingang City. On the same day, Qingdao Jin Mao and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, where branch 1 would be unilaterally managed and controlled by Qingdao Jin Mao in respect of the development of the Southern region with a land area of 200 mu (the "Southern Region") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of the Northern region with a total land area of 140 mu (the "Northern Region"). The land use right certificate in connection with the Southern Region is registered under the name of Lanhai Xingang City.

19 Joint operations and investments in joint ventures (continued)

The Group considered this supplementary arrangement as a joint operation and recognised the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplementary agreement.

The following table illustrates the summarised financial information of branch 1 of Lanhai Xingang City recognised in the Group's consolidated financial statements:

	2019 HK$'000	*2018* HK$'000
Non-current assets		
Property, plant and equipment	297	354
Properties under development	-	142,920
	297	143,274
Current assets		
Properties held for sale	426,590	484,251
Properties under development	105,249	-
Prepayments, other receivables and other assets	15,617	19,637
Prepaid tax	26,558	21,367
Restricted bank balances	127,796	60,357
Cash and cash equivalents	31,329	69,097
	733,139	654,709
Current liabilities		
Trade and bills payables	346,866	459,166
Other payables and accruals	224,465	113,363
	571,331	572,529
Net current assets	161,808	82,180
Total assets less current liabilities	162,105	225,454
Non-current liabilities		
Deferred tax liabilities	1	-
	1	-
Net assets	162,104	225,454

19 Joint operations and investments in joint ventures (continued)

	2019 HK$'000	*2018* HK$'000
Revenue	33,001	477,827
Cost of sales	(26,254)	(343,816)
Gross profit	6,747	134,011
Other income and gains	553	1,369
Selling and marketing expenses	(1,282)	(11,910)
Administrative expenses	(5,102)	(4,696)
Profit before tax	916	118,774
Income tax	11,320	(63,392)
Profit for the year	12,236	55,382

The directors of the Company are of the opinion that no joint ventures are individually material to the Group. The following table illustrates the aggregate financial information of the Group's joint ventures under continuing operations that are not individually material:

	2019 HK$'000	*2018* HK$'000 (Restated)
Share of the joint ventures' profit for the year	820,779	436,596
Share of the joint ventures' other comprehensive income for the year	(266,544)	(344,433)
Share of the joint ventures' total comprehensive income	554,235	92,163
Aggregate carrying amount of the Group's investments in the joint ventures	12,850,159	8,857,161

20 Investments in associates

	2019 HK$'000	*2018* HK$'000
Unlisted investments:		
Share of net assets	8,980,672	8,704,818

20 Investments in associates (continued)

Notes:

(a) The Group has discontinued the recognition of its share of loss of certain associates because the share of loss of the associates exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the associates for the current year and cumulatively were HK$89,935,000 (2018: HK$51,687,000) and HK$196,040,000 (2018: HK$110,438,000), respectively.

(b) The amounts due from/to associates are disclosed in note 23 to the consolidated financial statements.

The directors of the Company are of the opinion that no associates are individually material to the Group. Aggregate information of associates under continuing operations that are not individually material are listed below:

	2019 HK$'000	*2018* HK$'000 (Restated)
Share of the associates' (loss)/profit for the year	(111,291)	127,754
Share of the associates' other comprehensive income for the year	(185,357)	(329,314)
Share of the associates' total comprehensive income	(296,648)	(201,560)
Aggregate carrying amount of the Group's investments in the associates	8,980,672	8,704,818

21 Financial assets at fair value through other comprehensive income

	2019 HK$'000	*2018* HK$'000
Equity securities designated at FVOCI (non-recycling)		
- Listed equity securities (note a)	891,927	1,310,424
- Unlisted equity securities (note b)	18,163	456,674
	910,090	1,767,098

21 Financial assets at fair value through other comprehensive income (continued)

(a) Details of investments in listed equity securities are as follows:

Name	*Fair value*		*Dividends recognised during the year*		*Place of Incorporation*	*Principal activities*
	2019 HK$'000	*2018* HK$'000	*2019* HK$'000	*2018* HK$'000		
China CITIC Bank International VRN Perpetual Regs	386,838	366,130	-	-	Hong Kong	Provision of financing services
Sino-Ocean Group Holding Limited	192,319	267,181	11,390	22,846	Hong Kong	Provision of investment holding, property development and property investment services
China Resources Pharmaceutical Group Limited	312,770	442,117	5,617	4,753	Hong Kong	Provision of investment holding, property development and property investment services
China Huarong Asset Management Co., Ltd.	-	107,250	907	14,165	Hong Kong	Provision of comprehensive financial services
China XLX Fertiliser Ltd.	-	127,746	-	-	Singapore	Provision of developing manufacturing and selling of compound fertiliser
	891,927	1,310,424	17,914	41,764		

During the year ended 31 December 2019, the Company disposed the following equity investments designated in fair value through other comprehensive income for strategic purposes:

Name	*2019*		*2018*	
	Fair value of investments at dates of disposal HK$'000	*Accumulated (loss)/gain on disposal* HK$'000	*Fair value of investments at dates of disposal* HK$'000	*Accumulated (loss)/gain on disposal* HK$'000
China Huarong Asset Management Co., Ltd.	82,643	(151,451)	-	-
Sino-Ocean Group Holding Limited	61,056	48,462	-	-
	143,699	(102,989)	-	-

21 Financial assets at fair value through other comprehensive income (continued)

(b) Details of investments in unlisted equity securities are as follows:

Name of company	*Fair value at 31 December 2019* HK$'000	*Fair value at 31 December 2018* HK$'000	*Place of incorporation/ establishment*	*Percentage of ownership interest*	*Principal activity*
Sinochem Petroleum Netherlands Cooperatief U.A.	18,163	18,163	Netherlands	0.1019%	Exploration and production of crude oil
Fujian Shan Chuan Club Co., Ltd	-	-	the PRC	5.00%	Property development and management
Guizhou Kailin Group Co., Ltd.	-	435,045	the PRC	2.79%	Fertiliser manufacture and sale
Yimu Railway Co., Ltd.	-	3,466	the PRC	1.15%	Rail freight transportion
	18,163	456,674			

The above unlisted investments represent investments in unlisted shares issued by private entities. No dividends were received on such investments during the year (2018: Nil).

(c) The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

For the year ended 31 December 2019, the gross loss in respect of the Group's equity investments designated at FVOCI recognised in other comprehensive income amounted to HK$241,483,000 (2018: HK$367,225,000).

22 Derivative financial instruments

	2019		*2018*	
	Assets HK$'000	*Liabilities* HK$'000	*Assets* HK$'000	*Liabilities* HK$'000
Interest rate swaps	-	39,060	967	37,429
Forward currency contracts	-	282	-	-
Cross currency interest rate swaps	-	111,342	-	88,647
Other derivative financial instruments	-	9,338	7,336	-
	-	160,022	8,303	126,076
Current portion	-	(120,962)	(8,303)	(74,981)
Non-current portion	-	39,060	-	51,095

Transactions of derivative financial instruments of the Group were conducted with creditworthy banks.

22 Derivative financial instruments (continued)

Cash flow hedge - Interest rate risk and foreign currency risk

At 31 December 2019, Jinmao had interest rate swap agreements in place with a notional amount of HK$1,920,000,000 whereby it pays interest at fixed rates ranged from 3.81% to 4.45% and receives interest at variable rates equal to the Hong Kong Interbank Offered Rate ("HIBOR") plus 1.45% to 1.65% on the notional amount. The swaps are being used to hedge the interest rate risk exposure of floating rate unsecured bank loan with aggregate face value of HK$1,920,000,000.

At 31 December 2019, Jinmao had a cross currency interest rate swap agreement in place with notional amounts of US$250,000,000 and HK$1,960,350,000 whereby it pays interest at a fixed rate of 3.45% and pays HK$1,960,350,000 on the maturity date, and receives interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.1% and receives US$250,000,000 on the maturity date. The swap is being used to hedge the interest rate risk exposure of a floating rate unsecured bank loan with face value of US$250,000,000.

At 31 December 2019, Jinmao had a cross currency interest rate swap agreement in place with notional amounts of JPY2,000,000,000 and HK$145,137,881 whereby it pays interest at a variable rate equal to LIBOR plus 1.62% and pays HK$145,137,881 on the maturity date, and receives interest at a variable rate equal to LIBOR plus 1% and receives JPY2,000,000,000 on the maturity date. The swap is being used to hedge the interest rate and foreign currency risk exposure of a floating rate unsecured bank loan with a face value of JPY2,000,000,000.

At 31 December 2019, Jinmao had a foreign currency forward contract in place with notional amounts of US$94,380,000 and HK$735,503,340 whereby it pays HK$735,503,340 on the maturity date, and receives US$94,380,000 on the maturity date. The foreign currency forward contract is being used to hedge the foreign currency risk exposure to the unsecured bank loan with a face value of US$94,380,000.

At 31 December 2019, the Group had a cross currency interest rate swap agreement in place with a notional amount of 250,000,000 in Swiss Franc ("CHF") and US$268,240,000 whereby it pays interest at a fixed rate of 3.49% and pays US$268,240,000 on the maturity date, and receives interest at a fixed rate of 0.76% and receives CHF250,000,000 on the maturity date. The swap is being used to hedge the foreign currency risk exposure to an unsecured loan with a face value of CHF250,000,000.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the swaps and foreign currency forward contracts match the terms of the variable rate foreign currency denominated bank loans (i.e., notional amount, maturity, payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the swaps and foreign currency forward contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

22 Derivative financial instruments (continued)

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted payments and the hedging instruments;
- Different interest rate curves applied to discount the hedged items and hedging instruments;
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items;
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

23 Amounts due from/to related parties

	31 December 2019 HK$'000	*31 December 2018* HK$'000
Current:		
Amounts due from related parties		
Amounts due from associates (note a)	14,690,188	18,518,703
Amounts due from joint ventures (note b)	23,553,494	24,222,480
Amounts due from fellow subsidiaries (note c)	3,893,147	4,393,630
Amounts due from related parties	66,549	-
Amounts due from the ultimate parent	313	9,835
Amounts due from the immediate parent (note d)	6,731,987	7,214,650
Amounts due from associates of the Group's ultimate parent	-	288,596
Amounts due from a substantial shareholder (note e)	1,602,926	-
	50,538,604	54,647,894
Non-current:		
Amounts due from related parties		
Amounts due from associates (note a)	1,412,694	-
Amounts due from joint ventures (note b)	7,733,547	2,245,337
Amounts due from fellow subsidiaries	71,887	274,152
Amounts due from the immediate parent	23,047,020	28,338,855
	32,265,148	30,858,344

23 Amounts due from/to related parties (continued)

	31 December 2019 HK$'000	*31 December 2018* HK$'000
Current:		
Amounts due to related parties		
Amounts due to joint ventures	6,851,314	3,320,601
Amounts due to the ultimate parent	2,318	39,558
Amounts due to associates	5,505,160	3,072,986
Amounts due to the immediate parent (note f)	8,672,397	7,133,810
Amounts due to fellow subsidiaries (note g)	2,281,815	5,876,408
Amounts due to associates of the Group's ultimate parent	2,990	101,622
Amounts due to a substantial shareholder	112,358	-
	23,428,352	19,544,985

Notes:

The amounts due from related parties are unsecured, interest-free and are repayable on demand, except for the following:

(a) The current balances of amounts due from associates as at 31 December 2019 included the amounts of HK$7,196,109,000 (2018: HK$8,029,079,000) which bear interest at rates ranging from 4.35% to 10.00% per annum.

The non-current balances amounts due from associates as at 31 December 2019 included the amounts of HK$1,412,694,000 (2018: Nil) which bear interest at a rate of 8.00% per annum.

(b) The current balances of amounts due from joint ventures as at 31 December 2019 included the amounts of HK$13,006,905,000 (2018: HK$14,024,322,000) which bear interest at rates ranging from 2.00% to 10.00% per annum.

The non-current balances amounts due from joint ventures as at 31 December 2019 included the amounts of HK$7,733,547,000 (2018: HK$2,245,337,000) which bear interest at a rate of 8.00% per annum.

(c) The current balances of amounts due from fellow subsidiaries as at 31 December 2019 included the amounts of HK$2,271,681,000 (2018: HK$3,539,420,000) which bear interest at rates ranging from 2.50% per annum.

(d) The current balances of the amounts due from the immediate parent included the amounts of HK$5,145,495,000 (2018:HK$5,173,572,000) and HK$1,495,842,000 (2018: HK$958,685,000), which bear interest at 3-month LIBOR plus 50 basis points and 1.5% per annum, respectively.

(e) The amounts due from a substantial shareholder are unsecured, bear interest at rates ranging from 2.175% to 2.75% per annum and repayable on demand.

23 Amounts due from/to related parties (continued)

The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand, except for the following:

(f) The current balances of amounts due to the immediate parent as at 31 December 2019 included the amounts of HK$8,137,827,000 (2018: HK$559,233,000) which bear at rates ranging from 1.50% to 4.35% per annum.

(g) The current balances of amounts due to fellow subsidiaries as at 31 December 2019 included the amounts of HK$1,557,560,000 (2018: Nil) which bear interest at a rate of 4.5% per annum.

24 Amounts due from non-controlling shareholders

The non-current balances of amounts due from non-controlling shareholders are unsecured, bear interest at rates ranging from 2.18% to 4.75% per annum and are not repayable within one year.

25 Other assets

	2019 HK$'000	*2018* HK$'000
Advance payments for acquisition of items of property, plant and equipment	-	70,264
Other receivables (note a)	401,420	342,390
Other non-current assets	-	26,649
Other financial assets (note b)	414,730	1,720,054
Long-term time deposit (note 31(a))	3,683,790	-
At 31 December	4,499,940	2,159,357
Current portion	(51,627)	(305,663)
Non-current portion	4,448,313	1,853,694

(a) As at 31 December 2019, the other receivables included a pledged deposit of HK$274,610,000 (2018:HK$342,390,000) made to a local government for performance guarantee, which is not repayable within one year.

25 Other assets (continued)

(b) Set out below is the information about other financial assets:

	2019 HK$'000	*2018* HK$'000
Non-current portion		
Unlisted equity investments at fair value through profit or loss	256,749	205,434
Other unlisted investments at fair value through profit or loss	106,354	1,208,957
	363,103	1,414,391
Current portion		
Listed equity investments at fair value through profit or loss	50,425	77,490
Other unlisted investments at fair value through profit or loss	1,202	228,173
	51,627	305,663
	414,730	1,720,054

The balance of the non-current portion of unlisted equity investments at 31 December 2019 was classified as financial assets at fair value through profit or loss.

The balance of the non-current portion of other unlisted investments as at 31 December 2019 represented wealth management products with original maturity of over one year when acquired from banks.

The balance of the current portion of listed equity investments at 31 December 2019 was classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The balance of the current portion of other unlisted investments as at 31 December 2019 included wealth management products with original maturity within one year when acquired from banks of HK$1,202,000 (2018: HK$2,510,000) and trust schemes issued by China Foreign Economy and Trade Trust Co. Ltd., a fellow subsidiary of the Company of Nil (2018: HK$225,663,000).

26 Inventories

	2019	*2018*
	HK$'000	HK$'000
Raw materials	176,045	555,318
Work in progress	-	60,431
Finished goods	3,132	5,807,828
Consumables	15,253	52,917
	194,430	6,476,494

27 Properties held for sale

At 31 December 2019, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately HK$147,911,000 (2018: HK$160,677,000) were pledged to secure bank loans granted to the Group (note 34).

28 Trade and bills receivables

	2019	*2018*
	HK$'000	HK$'000
Trade receivables	1,632,362	955,687
Impairment allowance	(18,078)	(14,069)
	1,614,284	941,618
Bills receivable	-	559,977
Total trade and bills receivables	1,614,284	1,501,595

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

	2019	*2018*
	HK$'000	HK$'000
Within 3 months	1,405,846	887,146
3 to 6 months	58,526	183,938
6 to 12 months	76,624	93,283
Over 12 months	73,288	337,228
	1,614,284	1,501,595

28 Trade and bills receivables (continued)

Consideration in respect of properties sold is receivable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior 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.

The Group has pledged trade and bills receivables of approximately HK$28,481,000 (2018: HK$26,180,000) to secure bank loans granted to the Group (note 34).

29 Prepayments, other receivables and other assets

	2019 HK$'000	*2018* HK$'000
Prepayments	9,497,545	6,343,864
Deposits	6,359,230	1,465,227
Other receivables	10,776,192	14,265,461
Due from non-controlling interests (note a)	6,999,109	2,281,711
Entrusted loans to third parties	-	684,780
Contract costs (note b)	94,226	147,418
	33,726,302	25,188,461
Impairment allowance (note c)	(3,004)	(61,696)
Total	33,723,298	25,126,765

Notes:

(a) The amounts due from non-controlling interests are unsecured, interest-free and repayable within one year, except for the amounts of HK$4,642,551,000 in aggregate, which bear interest at rates ranging from 0.35% to 4.35% per annum (2018: HK$2,281,711,000 in aggregate, which bore interest at rates ranging from 0.35% to 2.375% per annum).

(b) The contract costs represent primarily sale commission and stamp duty paid/payable as a result of obtaining the property sale contracts. These amounts would be amortised when the related revenue are recognised.

29 Prepayments, other receivables and other assets (continued)

(c) The movement in the loss allowance during the year is as follows:

	2019 HK$'000	*2018* HK$'000 (Restated)
At 1 January	61,696	56,781
Impairment losses recognised-continuing operations (note 5)	-	1,563
Impairment losses recognised-discontinued operations	-	6,649
Amounts written off as uncollectible	-	(2,521)
Disposal of subsidiaries	(58,363)	-
Exchange adjustments	(329)	(776)
At 31 December	3,004	61,696

30 Contract assets

	2019 HK$'000	*2018* HK$'000
Contract assets arising from:		
Design and decoration services	298,062	176,331

Contract assets are initially recognised for other revenue earned from the design and decoration services as the receipt of consideration is conditional on successful completion of services. Included in contract assets for design and decoration services are retention receivables. Upon completion of design and decoration services 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 design and decoration services.

The expected timing of recovery or settlement for contract assets as at 31 December 2019 and 2018 is within one year.

An impairment analysis is performed at each reporting date 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 provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). 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.

30 Contract assets (continued)

The Group performs impairment assessment under ECL model on contract assets based on shared credit risk characteristics by reference to repayment history and past due status of customers and forward looking information. Given the Group has not experienced any significant credit losses in the past, the directors of the Group assess that the loss allowance is insignificant.

31 Cash and bank balances

(a) Reconciliation of cash and bank balances to cash and cash equivalents

	2019 HK$'000	*2018* HK$'000
Cash and bank balances	20,092,902	27,435,841
Time deposits	12,194,811	5,971,421
	32,287,713	33,407,262
Less: Restricted bank balances	8,357,301	5,087,435
Less: Long-term time deposit (note i)	3,683,790	-
Cash and cash equivalents (note ii)	20,246,622	28,319,827

Note:

(i) The Group's long-term time deposit of HK$3,683,790,000 (2018: Nil) is placed with Sinochem Group Finance Co., Ltd., a fellow subsidiary of the Company, has a term of 2 years with a fixed rate of 3.15% per annum.

(ii) Cash and cash equivalents comprise cash at banks and cash held by the Group bearing interest at prevailing market rates.

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

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

31 Cash and bank balances (continued)

	Bank and other borrowings HK$'000	*Payable to non-controlling interests* HK$'000	*Other payables and accruals excluding payable to non-controlling interests* HK$'000	*Amounts due to related parties* HK$'000	*Other non-current liabilities* HK$'000	*Lease liabilities* HK$'000	*Total* HK$'000
At 31 December 2018	128,244,800	15,091,963	67,097,066	19,544,985	118,675	-	230,097,489
Impact on initial application of HKFRS 16 (Note 2)	-	-	-	-	-	109,442	109,442
At 1 January 2019	128,244,800	15,091,963	67,097,066	19,544,985	118,675	109,442	230,206,931
New bank and other borrowings	116,617,826	-	-	-	-	-	116,617,826
Repayment of bank and other borrowings	(115,358,405)	-	-	-	-	-	(115,358,405)
Advance from non-controlling interests	-	636,388	-	-	-	-	636,388
Dividends paid to non-controlling interests of subsidiaries	-	(2,711,256)	-	-	-	-	(2,711,256)
Repayment of loans from non-controlling interests	-	(8,779,212)	-	-	-	-	(8,779,212)
Advance of investments from third parties	-	-	4,658,837	-	-	-	4,658,837
Interest paid	-	-	(8,335,046)	-	-	-	(8,335,046)
Dividends paid	-	-	-	(391,645)	-	-	(391,645)
Capital element of lease rentals paid	-	-	-	-	-	(84,015)	(84,015)
Interest element of lease rentals paid	-	-	-	-	-	(8,293)	(8,293)
Decrease in amounts due to related parties	-	-	-	(8,938,356)	-	-	(8,938,356)
Increase in other non-current liabilities	-	-	-	-	79,534	-	79,534
Net cash flows from financing activities	1,259,421	(10,854,080)	(3,676,209)	(9,330,001)	79,534	(92,308)	(22,613,643)
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	-	188,745	188,745
Interest expenses	-	-	3,098,590	372,283	-	8,116	3,478,989
Interest capitalised in properties under development and other qualifying assets	-	-	5,430,315	-	-	-	5,430,315
Dividends declared	-	2,631,253	-	389,393	-	-	3,020,646
Increase arising from acquisition of subsidiaries	7,590,526	-	19,439,242	-	-	10,062	27,039,830
Decrease arising from discontinued operations	(2,679,120)	-	(3,169,562)	(1,790,580)	(103,067)	(4,260)	(7,746,589)
Decrease arising from disposal of subsidiaries	(4,981,513)	-	(7,868,229)	-	-	-	(12,849,742)
Other changes	110,493	(1,356,414)	7,033,210	14,451,683	(11,236)	-	20,227,736
	40,386	1,274,839	23,963,566	13,422,779	(114,303)	202,663	38,789,930
Net foreign exchange differences	(1,204,753)	(97,010)	(533,706)	(209,411)	(5,768)	(7,149)	(2,057,797)
At 31 December 2019	128,339,854	5,415,712	86,850,717	23,428,352	78,138	212,648	244,325,421

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

31 Cash and bank balances (continued)

	Bank and other borrowings HK$'000	*Payable to non-controlling interests* HK$'000	*Other payables and accruals excluding payable to non-controlling interests* HK$'000	*Amounts due to related parties* HK$'000	*Total* HK$'000
At 1 January 2018	114,917,432	10,642,579	63,732,687	17,619,355	206,912,053
New bank and other borrowings	91,080,403	-	-	-	91,080,403
Repayment of bank and other borrowings	(71,765,587)	-	-	-	(71,765,587)
Advance from non-controlling interests	-	1,898,103	-	-	1,898,103
Dividends paid to non-controlling interests of subsidiaries	-	(2,672,348)	-	-	(2,672,348)
Repayment of loans from non-controlling interests	-	-	(1,498,226)	-	(1,498,226)
Advance of investments from third parties	-	-	1,962,481	-	1,962,481
Interest paid	-	-	(6,912,674)	(86,350)	(6,999,024)
Dividends paid	-	-	-	(470,708)	(470,708)
Increase in amounts due to related parties	-	-	-	3,958,082	3,958,082
Net cash flows from financing activities	19,314,816	(774,245)	(6,448,419)	3,401,024	15,493,176
Interest expense	-	-	4,153,967	92,920	4,246,887
Interest capitalised in properties under development and other qualifying assets	-	-	3,497,913	-	3,497,913
Dividends declared	-	2,863,687	-	862,353	3,726,040
Increase arising from acquisition of subsidiaries	385,433	-	13,100,289	-	13,485,722
Decrease arising from disposal of subsidiaries	(3,338,423)	-	(11,880,462)	-	(15,218,885)
Other changes	29,669	2,969,925	331,108	(2,019,195)	1,311,507
	(2,923,321)	5,833,612	9,202,815	(1,063,922)	11,049,184
Net foreign exchange differences	(3,064,127)	(609,983)	609,983	(411,472)	(3,475,599)
At 31 December 2018	128,244,800	15,091,963	67,097,066	19,544,985	229,978,814

(c) Total cash outflow for leases:

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2019 HK$'000
Within operating cash flows	43,039
Within financing cash flows	92,308
	135,347

32 Trade and bills payables

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

	2019 HK$'000	*2018* HK$'000
Within one year	20,467,705	15,615,481
Over one year	737,010	895,521
	21,204,715	16,511,002

33 Other payables and accruals

	2019 HK$'000	*2018* HK$'000
Other payables	13,122,501	9,516,497
Receipt in advances	124,248	141,696
Accruals	272,941	484,681
Due to non-controlling interests (note a)	5,415,433	15,064,894
Contract liabilities (note b)	72,176,640	56,954,192
Dividend payable to non-controlling interests	279	27,069
Deferred revenue	1,154,387	-
	92,266,429	82,189,029

Notes:

(a) The amounts due to non-controlling interests as at 31 December 2019 were unsecured, interest-free and repayable on demand, except for the amounts of HK$3,713,810,000 (2018: HK$10,239,174,000) in aggregate, which bore interest at rates ranging from 3.43% to 10.00% per annum.

(b) Details of contract liabilities as at 31 December 2019 and 2018 were as follows:

	2019 HK$'000	*2018* HK$'000
Short-term advances received from customers		
Sale of industrial products	-	3,350,460
Sale of properties	71,813,568	53,394,456
Hotel operations	108,244	97,286
Property management	254,828	111,990
Total contract liabilities	72,176,640	56,954,192

33 Other payables and accruals(continued)

Contract liabilities include short-term advances received to deliver completed properties and land development assets, render hotel operations, design and decoration services and management services. The increase in contract liabilities in 2019 was mainly due to the increase in short-term advances received from customers in relation to the sales of properties during the year.

34 Interest-bearing borrowings

	2019 HK$'000	*2018* HK$'000
Current:		
Bank loans, secured (note a)	2,376,045	3,130,586
Bank loans, unsecured	12,831,577	14,286,815
Guaranteed senior notes, unsecured (note b)	11,519,606	-
Notes issued under the medium-term note programme (note c)	-	3,758,081
Domestic corporate bonds, unsecured (note d)	506,831	-
Bonds (note e)	5,554,943	3,455,725
Notes, unsecured	-	798,910
Other loans (note f)	8,494,383	6,930,791
	41,283,385	32,360,908

	2019 HK$'000	*2018* HK$'000
Non-current:		
Bank loans, secured (note a)	12,708,881	9,444,135
Bank loans, unsecured	16,363,760	17,671,777
Guaranteed senior notes, unsecured (note b)	19,494,187	25,611,178
Notes issued under the medium-term note programme (note c)	5,787,260	5,743,636
Domestic corporate bonds, unsecured (note d)	4,241,940	517,066
Bonds (note e)	3,368,046	9,112,567
Other loans (note f)	25,092,395	27,783,533
	87,056,469	95,883,892

34 Interest-bearing borrowings (continued)

	2019 HK$'000	*2018* HK$'000
Within one year	41,283,385	32,360,908
In the second year	23,741,981	35,668,358
In the third to fifth years, inclusive	43,296,096	50,338,829
Beyond five years	20,018,392	9,876,705
	128,339,854	128,244,800

Notes:

(a) The Group's bank loans are secured by:

(i) mortgages over certain of the Group's property, plant and equipment, which had an aggregate net carrying value at the end of the reporting period of HK$332,004,000 (2018: HK$357,948,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of HK$56,086,524,000 (2018: HK$51,276,029,000);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of HK$147,911,000 (2018: HK$160,677,000);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of HK$14,403,217,000 (2018: HK$14,480,989,000);

(v) mortgages over certain of the Group's right-of-use assets, which had an aggregate carrying amount at the end of the reporting period of HK$159,487,000 (2018: prepaid land lease payments HK$170,026,000);

(vi) mortgages over certain of the Group's trade and bills receivables, which had an aggregate carrying amount at the end of the reporting period of HK$28,481,000 (2018: HK$26,180,000);

(vii) the pledge of certain of the equity interests in the Group's joint ventures, which had an aggregate carrying amount at the end of the reporting period of HK$615,827,000 (2018: Nil); and

(viii) the pledge of certain of the equity interests in the Group's subsidiaries, which had an aggregate carrying amount at the end of the reporting period of Nil (2018: HK$643,314,000).

34 Interest-bearing borrowings (continued)

(b) On 4 November 2010, Sinochem Overseas Capital Company Limited, a wholly-owned subsidiary of the Group, issued US$1,500,000,000 4.5% guaranteed senior notes due 2020 (the "2020 Notes") and US$500,000,000 6.3% guaranteed senior notes due 2040 (the "2040 Notes"). The 2020 Notes and the 2040 Notes are unsecured.

On 15 April 2011, Jinmao Development Limited, a wholly-owned subsidiary of Jinmao, issued US$500,000,000 6.75% guaranteed senior notes due 2021 (the "2021 Notes"). The 2021 Notes are unsecured, bear interest at a rate of 6.75% per annum and will mature on 15 April 2021.

On 21 August 2013, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$200,000,000 6.40% guaranteed senior notes due 2022 (the "2022 Notes"). The 2022 Notes are unsecured, bear interest at a rate of 6.40% per annum and will mature on 27 April 2022.

On 3 March 2017, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$500,000,000 5.75% guaranteed senior notes due 2022 (the "2022 Notes"). The 2022 Notes are unsecured, bear interest at a rate of 3.60% per annum and will mature on 3 March 2022.

On 8 March 2018, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued RMB1,250,000,000 5.20% guaranteed senior notes due 2021 (the "2021 Notes"). The 2021 Notes are unsecured, bear interest at a rate of 5.20% per annum and will mature on 8 March 2021.

On 24 June 2019, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$250,000,000 4.00% guaranteed senior notes due 2024 ("the 2024 Notes"). The 2024 Notes are unsecured, bear interest at a rate of 4.00% per annum and will mature on 24 June 2024.

On 23 July 2019, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$500,000,000 4.25% guaranteed senior notes due 2029 ("the 2029 Notes"). The 2029 Notes are unsecured, bear interest at a rate of 4.00% per annum and will mature on 23 July 2029.

(c) Sinochem Offshore Capital Company Limited, a wholly-owned subsidiary of the Company, established a US$3,000,000,000 Medium-Term Note Programme on 17 April 2014. According to the programme, the notes to be issued under the programme are unsecured and guaranteed on an unsubordinated basis by the Company. On 28 April 2017, Sinochem Offshore Capital Company Limited updated the programme to US$5,000,000,000. On 29 April 2014, 10 September 2014, 17 June 2015, 24 May 2017 and 14 February 2018, Sinochem Offshore Capital Company Limited issued US$500,000,000 3.25% senior guaranteed notes (have been fully settled during the year ended 31 December 2019), RMB300,000,000 4.00% senior guaranteed notes (due 2021), CHF250,000,000 0.76% senior guaranteed notes (due 2022), US$300,000,000 3.12% senior guaranteed notes (due 2022) and RMB1,000,000,000 4.40% senior guaranteed notes (due 2021) under this programme, respectively.

34 Interest-bearing borrowings (continued)

(d) On 10 December 2015, Jinmao Investment Management (Shanghai) Co., Ltd. (formerly known as Franshion Properties Investment Management (Shanghai) Co., Ltd.) ("Jinmao Investment"), a wholly-owned subsidiary of Jinmao, issued five-year domestic corporate bonds with an aggregate principal amount of RMB2,200,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.55% for the first three years based on the book-building process with the lead underwriters. The final coupon rate of the corporate bonds was adjusted to 3.90% at the end of the third year from 9 December 2018. Jinmao has bought back RMB1,745,972,000 of the domestic corporate bonds in year 2018.

On 22 February 2019, Jinmao Investment, a wholly-owned subsidiary of Jinmao, issued five year domestic corporate bonds with an aggregate principal amount of RMB1,800,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.72% for the first three years based on the book-building process with the lead underwriters.

On 28 August 2019, Jinmao Investment, a wholly-owned subsidiary of Jinmao, issued five year domestic corporate bonds with an aggregate principal amount of RMB2,000,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.65% for the first three years based on the book-building process with the lead underwriters.

(e) On 13 April 2017, Jinmao Holdings Group Limited issued medium-term notes with an aggregate principal amount of RMB2,500,000,000, with a maturity of three years at a rate of 4.65% per annum.

On 10 July 2017, Jinmao Holdings Group Limited issued medium-term notes with an aggregate principal amount of RMB2,500,000,000, with a maturity of three years at a rate of 4.78% per annum.

On 12 April 2018, Jinmao Holdings Group Limited issued medium-term notes with an aggregate principal amount of RMB3,000,000,000, with a maturity of three years at a rate of 4.99% per annum.

(f) The balance includes an amount due to a fellow subsidiary of the Group, loans from third parties and short-term notes.

(g) The ranges of effective interest rates on the Group's borrowings are as follows:

	2019 HK$'000	*2018* HK$'000
Effective interest rate:		
Fixed rate borrowings	0.35% to 7.21%	0.76% to 9.82%
Variable rate borrowings	1.92% to 6.90%	1.66% to 6.37%

35 Provision for land appreciation tax

	HK$'000
At 1 January 2018	4,346,920
Charged to profit or loss during the year	1,735,934
Payment during the year	(2,370,091)
Transfer from tax recoverable	(492,564)
Exchange adjustments	(160,502)
At 31 December 2018 and at 1 January 2019	3,059,697
Charged to profit or loss during the year	2,108,305
Payment during the year	(810,275)
Transfer from tax recoverable	(605,804)
Exchange adjustments	(79,145)
At 31 December 2019	3,672,778

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of properties. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the sales and pre-sales proceeds of the Group's properties.

Jinmao has estimated, made and included in taxation a provision for LAT according to the requirements set out in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

36 Lease liabilities

	At 31 December 2019		*At 1 January 2019*	
	Present value of the minimum lease payments HK$'000	*Total minimum lease payments* HK$'000	*Present value of the minimum lease payments* HK$'000	*Total minimum lease payments* HK$'000
Within 1 year	78,283	96,810	45,514	47,854
After 1 years but within 5 years	66,143	109,530	63,928	64,649
After 5 years	68,222	79,119	-	-
	134,365	188,649	63,928	64,649
	212,648	285,459	109,442	112,503
Less: total future interest expenses		(72,811)		(3,061)
Present value of lease liabilities		212,648		109,442

37 Deferred tax assets/liabilities

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.

37 Deferred tax assets/liabilities (continued)

	Depreciation allowance in excess of related depreciation HK$'000	*Fair value adjustments on business combinations* HK$'000	*Accrued interest income* HK$'000	*Revaluation of investment properties* HK$'000	*Withholding taxes* HK$'000	*Revaluation of equity investments designated at FVOCI* HK$'000	*Other provision* HK$'000	*Provision for LAT* HK$'000	*Unrealised profits arising from intra-group transactions* HK$'000	*Losses available for offsetting taxable profits* HK$'000	*Others* HK$'000	*Total* HK$'000
At 1 January 2018	(634,959)	(1,097,038)	(138,572)	(4,199,457)	(170,111)	(23,641)	13,307	1,057,892	576,312	137,154	(127,475)	(4,606,588)
Deferred tax credited/ (charged) to profit or loss during the year	(88,698)	92,375	(12,169)	(68,992)	-	-	-	(262,323)	454,364	345,585	(26,258)	433,884
Deferred tax recognised in other comprehensive income during the year	-	-	-	(12,258)	-	-	-	-	-	-	-	(12,258)
Acquisition of subsidiaries (Note 43)	-	(105,176)	-	-	-	-	-	-	-	-	-	(105,176)
Disposal of subsidiaries (Note 44)	-	-	-	-	-	-	-	-	-	(6,606)	-	(6,606)
Exchange adjustments	32,290	50,885	6,796	191,667	7,821	1,087	(612)	(39,476)	(42,364)	(18,144)	4,277	194,227
At 31 December 2018	(691,367)	(1,058,954)	(143,945)	(4,089,040)	(162,290)	(22,554)	12,695	756,093	988,312	457,989	(149,456)	(4,102,517)
At 1 January 2019	(691,367)	(1,058,954)	(143,945)	(4,089,040)	(162,290)	(22,554)	12,695	756,093	988,312	457,989	(149,456)	(4,102,517)
Deferred tax credited/ (charged) to profit or loss during the year	(83,487)	420,226	(110,311)	(252,436)	-	-	(591)	130,232	378,864	208,827	(164,306)	527,018
Deferred tax recognised in other comprehensive income during the year	-	-	-	(35,607)	-	-	-	-	-	-	-	(35,607)
Credited to reserves for the year - discontinued operations	-	-	-	-	-	29,336	-	-	-	-	-	29,336
Acquisition of subsidiaries (note 43)	-	(500,690)	-	-	-	-	-	-	-	199,685	-	(301,005)
Discontinued operations (note 10)	9	204,943	-	-	-	(6,761)	(11,837)	-	(1,057)	(53,924)	(3,349)	128,024
Disposal of subsidiaries (note 44)	-	-	-	-	-	-	-	-	(24,785)	(1,769)	-	(26,554)
Exchange adjustments	16,606	24,605	5,085	81,172	3,555	(21)	(267)	(18,843)	(27,850)	(17,155)	16,970	83,857
At 31 December 2019	(758,239)	(909,870)	(249,171)	(4,295,911)	(158,735)	-	-	867,482	1,313,484	793,653	(300,141)	(3,697,448)

37 Deferred tax assets/liabilities (continued)

	2019 HK$'000	*2018* HK$'000
Net deferred tax asset recognised in the consolidated statement of financial position	3,084,322	2,292,500
Net deferred tax liability recognised in the consolidated statement of financial position	(6,781,770)	(6,395,017)
	(3,697,448)	(4,102,517)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable. By reference to financial budgets, the management of the Group has assessed whether there will be sufficient future taxable profits or taxable temporary differences available in the future for the realisation of deferred tax assets which have been recognised in respect of tax losses and other temporary differences.

The Group has recognised deferred tax assets in respect of tax losses amounting to approximately HK$3,174,612,000 (2018: HK$1,831,956,000) that can be carried forward against taxable income in the coming five years in Mainland China.

No deferred tax assets were recognised on the remaining tax losses of approximately HK$3,451,028,000 (2018: HK$13,134,255,000) that will expire in one to five years as the Group determines that the realisation of the related tax benefit through future taxable profits is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC EIT 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. Jinmao is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China to foreign investors in respect of earnings generated from 1 January 2008. For the Group, the applicable rates is 5%. At 31 December 2019, the Group recognised deferred tax liabilities of approximately HK$158,735,000 (2018: HK$162,290,000) for withholding taxes that would be payable on the unremitted earnings in the PRC. As the Group controls the dividend policy of its PRC subsidiaries, it has the ability to control the timing of the reversal of temporary differences associated with the investments in subsidiaries. Furthermore, the Group has determined that certain profits earned by the PRC subsidiaries will not be distributed to foreign investors in the foreseeable future. As such, deferred taxation has not been provided for in respect of temporary differences attributable to retained earnings of those PRC subsidiaries of approximately HK$38,793,645,000 at 31 December 2019 (2018: HK$37,287,311,000, of which HK$36,942,947,000 for Jinmao and HK$344,364,000 for Sinofert).

38 Issued capital

The movements in issued capital of the Company:

	2019 HK$'000	*2018* HK$'000
Issued and fully paid:		
24,468,400 (2018: 24,468,400) ordinary shares	24,468,400	24,468,400

39 Perpetual capital securities

On 6 December 2019, Franshion Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$400,000,000 (equivalent to approximately HK$3,198,766,000). The direct transaction costs attributable to the issuance amounted to US$759,000 (equivalent to approximately HK$6,067,000).

The securities confer the holders of the perpetual securities a right to receive distributions at the applicable distribution rate of 7.125% per annum. Franshion Brilliant Limited may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of Franshion Brilliant Limited, in whole but not in part.

In the opinion of the directors, Jinmao is able to control the delivery of cash or other financial assets to the holders of the perpetual securities due to redemption other than an unforeseen liquidation of Jinmao or Franshion Brilliant Limited. Accordingly, these securities are classified as equity instruments.

40 Capital risk management

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

The capital structure of the Group consists of net debt including borrowings, net of cash and cash equivalents and equity attributable to owners of the Company comprising issued equity, retained profits and other reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

41 Financial risk management and fair value of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, restricted bank balances, amounts due from related parties, amounts due from non-controlling shareholders, trade and bills receivables, contract assets and financial assets included in prepayments, other receivables and other assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk arising from cash and cash equivalents, restricted bank balances and bills receivable is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

The related parties are subsidiaries of large group companies with sound credit ratings. Accordingly, in the opinion of the directors, the credit risk on amounts due from related parties is limited.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle trade receivables in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on the nature of business. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. The Group has no concentration of credit risk in view of its large number customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 28 and note 29.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

41 Financial risk management and fair value of financial instruments (continued)

The following table provide information about the Group's exposure to credit risk and ECLs for trade receivables:

	2019		
	Expected loss rate %	*Gross carrying amount* HK$'000	*Loss allowance* HK$'000
Current	0.02%	1,573,922	392
Less than 1 month	1.22%	1,743	21
1 to 3 months	7.33%	1,265	93
Over 3 months	31.70%	55,432	17,572
		1,632,362	18,078

	2018		
	Expected loss rate %	*Gross carrying amount* HK$'000	*Loss allowance* HK$'000
Current	0.09%	912,840	863
Less than 1 month	2.96%	4,052	120
1 to 3 months	3.32%	2,046	68
Over 3 months	35.42%	36,749	13,018
		955,687	14,069

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

41 Financial risk management and fair value of financial instruments (continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 HK$'000	*2018* HK$'000 (Restated)
At 1 January	14,069	8,570
Impairment losses recognised-continuing operations (note 5)	7,433	4,377
Impairment losses recognised-discontinued operations	6,044	1,807
Amounts written off as uncollectible	-	(78)
Discontinued operations	(8,923)	-
Exchange adjustments	(545)	(607)
At 31 December	18,078	14,069

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	2019 Contractual undiscounted cash outflow				
	Less than 1 year or on demand HK$'000	*1 to 5 years* HK$'000	*Over 5 years* HK$'000	*Total* HK$'000	*Carrying amount* HK$'000
Trade and bills payables	21,204,715	-	-	21,204,715	21,204,715
Financial liabilities included in other payables and accruals	18,538,213	-	-	18,538,213	18,538,213
Derivative financial instruments	120,962	39,060	-	160,022	160,022
Interest-bearing borrowings	46,103,480	74,432,084	24,020,698	144,556,262	128,339,854
Lease liabilities	96,810	109,530	79,119	285,459	212,648
Amounts due to related parties	23,428,352	-	-	23,428,352	23,428,352
Other non-current liabilities	12,620	76,851	-	89,471	78,138
	109,505,152	74,657,525	24,099,817	208,262,494	191,961,942

41 Financial risk management and fair value of financial instruments (continued)

	2018 Contractual undiscounted cash outflow				
	Less than 1 year or on demand HK$'000	*1 to 5 years* HK$'000	*Over 5 years* HK$'000	*Total* HK$'000	*Carrying amount* HK$'000
Trade and bills payables	16,511,002	-	-	16,511,002	16,511,002
Financial liabilities included in other payables and accruals	24,608,460	-	-	24,608,460	24,608,460
Derivative financial instruments	74,981	51,095	-	126,076	126,076
Interest-bearing borrowings	37,788,241	94,625,924	15,790,475	148,204,640	128,244,800
Amounts due to related parties	19,544,985	-	-	19,544,985	19,544,985
	98,527,669	94,677,019	15,790,475	208,995,163	189,035,323

(c) *Interest rate risk*

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in note(i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings and lease liabilities at the end of the reporting period.

	2019		*2018*	
	Effective interest rate %	HK$'000	*Effective interest rate* %	HK$'000
Fixed rate borrowings:				
Lease liabilities (note 36)	4.75%	212,648	-	-
Bank loans	1.62% - 5.61%	18,246,506	3.13% - 9.82%	9,429,879
Other loans	4.10% - 7.21%	22,643,083	2.10% - 7.00%	27,914,150
Guaranteed senior notes	3.60% - 6.75%	31,013,793	3.60% - 6.75%	25,611,178
Notes issued under the medium term note programme	3.12% - 4.40%	5,787,260	3.12% - 4.40%	9,501,717
Domestic corporate bonds	3.55% - 3.72%	4,748,771	3.55%	517,066
Bonds	4.65% - 4.99%	8,922,989	3.5% - 5%	12,568,292
Notes	-	-	4.27%	798,910
		91,575,050		86,341,192
Variable rate borrowings:				
Bank loans	2.61% - 5.70%	26,033,757	2.07% - 6.37%	35,103,434
Other loans	4.75% - 6.9%	10,943,695	4.99% - 6.06%	6,800,174
		36,977,452		41,903,608
Total borrowings		128,552,502		128,244,800

41 Financial risk management and fair value of financial instruments (continued)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Other lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 2(c).

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decrease/increase the Group's profit for the year by approximately HK$187,446,000 (2018: decreased/increased by approximately HK$218,899,000), and decrease/increase the Group's retained earnings by approximately HK$187,446,000 (2018: decreased/increased by approximately HK$218,899,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

Certain bank balances, trade and bills receivables, other receivables, trade and bills payables, other payables, amounts due from and to related companies, bank balances and borrowings are denominated in currencies other than the functional currencies of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The Group is mainly exposed to the risk of fluctuations in the rates of US$, HK$ and RMB.

The following table indicates the instantaneous change in the Group's loss after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

41 Financial risk management and fair value of financial instruments (continued)

	2019			*2018*		
	Increase/ (decrease) in foreign exchange rates	*Effect on results of the year and retained profits* HK$'000	*Effect on other components of equity* HK$'000	*Increase/ (decrease) in foreign exchange rates*	*Effect on results of the year and retained profits* HK$'000	*Effect on other components of equity* HK$'000
	2%	64,182	-	2%	24,204	-
US$	(2%)	(64,182)	-	(2%)	(24,204)	-
RMB	2%	(21,872)	-	2%	(48,338)	-
	(2%)	21,872	-	(2%)	48,338	-

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' results of year and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2018.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as equity investments designated at FVOCI and equity investments at fair value through profit or loss included in other financial assets (notes 21 and 25). The Group's listed investments are listed on the Hong Kong Stock Exchange. Listed investments have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Unlisted investments are held for long-term purposes. Their performance is assessed at least annually based on the information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

41 Financial risk management and fair value of financial instruments (continued)

At 31 December 2019, it is estimated that an increase/(decrease) of 5% (2018: 5%) in the prices of the respective listed equity securities would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

	2019			2018		
		Effect on profit after tax and retained profits HK$'000	*Effect on other components of equity* HK$'000		*Effect on profit after tax and retained profits* HK$'000	*Effect on other components of equity* HK$'000
Change in the relevant equity price risk variable:						
Increase	5%	2,521	44,596	5%	3,875	65,521
Decrease	(5%)	(2,521)	(44,596)	(5%)	(3,875)	(65,521)

(f) Fair value

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement.* The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade and bills receivables, equity investments designated at FVOCI, amounts due from/to related parties, financial assets included in other assets, amounts due from non-controlling shareholders, financial assets included in prepayments, other receivables and other assets, derivative financial instruments, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

41 Financial risk management and fair value of financial instruments (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing borrowings, except for notes, have 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 value of notes is based on quoted market prices. The Group's own non-performance risk for interest-bearing borrowings as at 31 December 2019 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at FVOCI have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate market observable inputs including the foreign exchange spot and forward rates.

41 Financial risk management and fair value of financial instruments (continued)

	Fair value at 31 December 2019	*Fair value measurements as at 31 December 2019 categorised into*		
		Level 1	*Level 2*	*Level 3*
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements				
Assets:				
Equity securities designated at FVOCI	910,090	891,927	-	18,163
Other financial assets	414,730	50,425	364,305	-
Derivative financial instruments	-	-	-	-
Liabilities:				
Derivative financial instruments	160,022	-	160,022	-

	Fair value at 31 December 2018	*Fair value measurements as at 31 December 2018 categorised into*		
		Level 1	*Level 2*	*Level 3*
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements				
Assets:				
Equity securities designated at FVOCI	1,767,098	1,310,424	-	456,674
Other financial assets	1,720,054	77,490	1,416,901	225,663
Derivative financial instruments	8,303	-	8,303	-
Liabilities:				
Derivative financial instruments	126,076	-	126,076	-

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 for both financial assets and financial liabilities (2018: Nil).

41 Financial risk management and fair value of financial instruments (continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2019 HK$'000	*2018* HK$'000 (Restated)
Equity securities designated at FVOCI		
At 1 January	456,674	456,674
Changes in fair value during the year - continuing operations	2,635	-
Changes in fair value during the year - discontinued operations	(117,343)	-
Discontinued operations	(316,236)	-
Exchange adjustments	(7,567)	-
At 31 December	18,163	456,674
Other financial assets		
At 1 January	225,663	-
Purchases	-	11,691,680
Disposals	(224,655)	(11,459,394)
Changes in fair value recognised in profit or loss during the year - discontinued operations	-	1,543
Exchange adjustments	(1,008)	(8,166)
At 31 December	-	225,663

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2018 and 2019.

42 Share option scheme

2007 Scheme

Jinmao operates a share option scheme (the "2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Jinmao's operations. Eligible participants of the 2007 Scheme include the Company's executive and non-executive directors and Jinmao's senior management, key technical and professional personnel, managers and employees, but do not include Jinmao's independent non-executive directors. The 2007 Scheme became effective on 22 November 2007 and expired on 22 November 2017, after 10 years from the effective date. However, the options granted under the 2007 Scheme continue to be valid and exercisable in accordance with the terms of issue.

42 Share option scheme (continued)

The maximum number of unexercised share options currently permitted to be granted under the 2007 Scheme was an amount equivalent, upon their exercise, to 10% of the shares of Jinmao in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 2007 Scheme within any 12-month period is limited to 1% of the shares of Jinmao in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of Jinmao, or to any of their associates, were subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of Jinmao, or to any of their associates, in excess of 0.1% of the shares of Jinmao in issue at any time or with an aggregate value (based on the price of Jinmao's shares at the date of grant) in excess of HK$5 million, within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options are related to the performance of individuals and of Jinmao. The board of directors of Jinmao would determine performance targets concerned and set out in the grant notice. The share options granted would become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options was determinable by the directors, but may not be less than the highest of (i) the Hong Kong Stock Exchange closing price of Jinmao's shares on the grant date of the share options; (ii) the average Hong Kong Stock Exchange closing price of Jinmao's shares for the five trading days immediately preceding the grant date; and (iii) the par value of Jinmao's share.

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

The following share options were outstanding under the 2007 Scheme during the year:

	2019		*2018*	
	Weighted average exercise price HK$ per share	*Number of options*	*Weighted average exercise price* HK$ per share	*Number of options*
At 1 January	2.32	138,354,900	2.21	155,597,880
Forfeited during the year	2.20	(2,594,800)	2.20	(12,216,000)
Exercised during the year	2.23	(46,502,100)	2.27	(5,026,980)
At 31 December	2.20	89,258,000	2.32	138,354,900

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.23 per share (2018: HK$2.27 per share).

42 Share option scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019

Number of options	*Exercise price** HK$ per share	*Exercise period*
8,017,800	2.196	17 October 2018 to 16 October 2023
37,128,200	2.196	17 October 2019 to 16 October 2023
44,112,000	2.196	17 October 2020 to 16 October 2023
89,258,000		

2018

Number of options	*Exercise price** HK$ per share	*Exercise period*
2,749,800	2.44	28 November 2014 to 27 November 2019
3,664,100	2.44	28 November 2015 to 27 November 2019
41,409,000	2.196	17 October 2018 to 16 October 2023
45,128,000	2.196	17 October 2019 to 16 October 2023
45,404,000	2.196	17 October 2020 to 16 October 2023
138,354,900		

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

The fair value of the share options granted during the year ended 31 December 2016 was HK$80,332,000 (HK$0.47 each), of which Jinmao recognised a share option expense of HK$14,328,000 (2018: HK$25,912,000) during the year ended 31 December 2019.

The 46,502,100 share options exercised during the year resulted in the issue of 46,502,100 ordinary shares of Jinmao and new share capital of HK$126,989,000 (before issue expenses).

New Scheme

On 29 January 2019, a new share option scheme (the "New Scheme") was adopted by Jinmao to enhance Jinmao's continuous commitment to eligible participants and enhance them to pursue the objectives of Jinmao. On 8 February 2019, an aggregate of 265,950,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$3.99 per share. One-third of the share options granted will be vested in two years from 8 February 2019, one-third of the share options granted will be vested in three years from 8 February 2019 and one-third of the options granted will be vested in four years from 8 February 2019. Once the share options are vested, they are exercisable until 7 February 2026.

42 Share option scheme (continued)

On 9 September 2019, an aggregate of 9,000,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$4.58 per share. One-third of the share options granted will be vested in two years from 9 September 2019, one-third of the share options granted will be vested in three years from 9 September and one-third of the options granted will be vested in four years from 9 September. Once the share options are vested, they are exercisable until 8 September 2026.

According to the terms of the New Scheme, the board of directors of Jinmao shall at its absolute discretion grant to any participant a certain number of options at any time within 10 years after the adoption date of the New Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive directors of any member of Jinmao and any senior management, key technical and professional personnel, managers and employees of any member of Jinmao, but do not include any independent non-executive directors of Jinmao.

The number of shares to be issued at any time upon exercise of all options granted under the New Scheme and other share option schemes of Jinmao shall not in aggregate exceed 10% of the then issued share capital of Jinmao.

Unless an approval of shareholders is obtained at a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the share options (including exercised, cancelled and outstanding options) granted under the New Scheme and any other share option schemes of Jinmao to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of Jinmao at any time, no further options shall be granted to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of Jinmao, pay a consideration of HK$1 or the equivalent (to be determined on the date when the offer of the grant is accepted) to Jinmao for acceptance of the offer of the grant of the share option.

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

The following share options were outstanding under the New Scheme during the year:

	2019	
	Weighted average exercise price HK$ per share	*Number of options*
At 1 January	-	-
Granted during the year	4.01	274,950,000
Forfeited during the year	3.99	(5,850,000)
At 31 December	4.01	269,100,000

42 Share option scheme (continued)

The exercise prices and exercise periods of the share options outstanding under the New Scheme as at the end of the reporting period are as follows:

2019

Number of options	*Exercise price** HK$ per share	*Exercise period*
86,694,000	3.99	8 February 2021 to 7 February 2026
86,694,000	3.99	8 February 2022 to 7 February 2026
86,712,000	3.99	8 February 2023 to 7 February 2026
3,000,000	4.58	9 September 2021 to 8 September 2026
3,000,000	4.58	9 September 2022 to 8 September 2026
3,000,000	4.58	9 September 2023 to 8 September 2026
269,100,000		

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

The fair value of the share options granted during the year ended 31 December 2019 was HK$257,594,000, of which Jinmao recognised a share option expense of HK$81,174,000 during the year ended 31 December 2019.

The fair value of equity settled share options granted during the year ended 31 December 2019 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 inputs to the model used:

Dividend yield (%)	4.80 - 5.26
Expected volatility (%)	37.65 - 41.15
Historical volatility (%)	37.65 - 41.15
Risk-free interest rate (%)	1.15 - 1.63
Contractual life of options (year)	7.00
Exercise multiple (times)	1.5 - ∞
Weighted average share price (HK$ per share)	3.99 - 4.58

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, Jinmao had 89,258,000 share options outstanding under the 2007 Scheme and 269,100,000 share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of Jinmao, result in the issue of 358,358,000 additional ordinary shares of Jinmao and additional share capital of HK$1,275,030,000 (before issue expenses).

43 Business combinations

Business combinations during the year mainly included Jinmao's acquisitions of a number of property development companies and acquisition of additional interests in joint ventures (collectively referred to as the "Acquirees"). The directors of Jinmao consider that none of these subsidiaries acquired during the year was significant to Jinmao and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

Jinmao remeasured the fair value of the equity interest previously held as joint ventures or associations at the date of acquisition, and fair value gains of HK$393,398,000 were recognised in other income, gains and losses, net in the consolidated statement of other comprehensive income during the year ended 31 December 2019 (note 5).

Jinmao has elected to measure the non-controlling interest in the Acquirees at the non-controlling interest's proportionate share of the Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the Acquirees as at the date of acquisition were as follows:

	Note	HK$'000
Property, plant and equipment	12	175,718
Right-of-use assets	16	23,508
Intangible assets	18	617
Properties under development	14	11,357,673
Properties held for sale		13,097,861
Deferred tax assets	37	199,685
Prepayments, other receivables and other assets		5,676,180
Prepaid tax		774,284
Restricted bank balance		6,482
Cash and cash equivalents		1,734,562
Trade and bills payables		(490,796)
Other payables and accruals		(19,439,242)
Interest-bearing bank and other borrowings		(7,590,526)
Lease liabilities		(10,062)
Deferred tax liabilities	37	(500,690)
Total identifiable net assets at fair value		5,015,254
Non-controlling interests		(901,353)
Gain on bargain purchase recognised in other income, gains and losses, net in the consolidated statement of comprehensive income	5	(456,718)
		3,657,183
Satisfied by:		
Cash		1,497,612
Fair value of equity interest previously held as investments in joint ventures and associates		2,159,571
Total purchase consideration		3,657,183

43 Business combinations (continued)

The fair values of its other receivables and other assets as at the date of acquisition amounted to HK$5,676,180,000, which are equal to their gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

Jinmao incurred transaction costs of HK$1,370,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in consolidated statement of comprehensive income.

Jinmao recognised a gain on bargain purchase of approximately HK$456,718,000 in consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2019, which was, in the opinion of the directors of Jinmao, primarily attributable to Jinmao's ability in negotiating the agreed terms of the transaction with the independent third parties, as Jinmao has good reputation and rich experience in the development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the acquired projects.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	HK$'000
Cash consideration	(1,497,612)
Cash and cash equivalents acquired	1,734,562
Net inflow of cash and cash equivalents included in cash flows from investing activities	236,950
Transaction costs of the acquisition included in cash flows used in operating activities	(1,370)
	235,580

Since the acquisition, the Acquirees contributed HK$8,194,189,000 to the Group's revenue and incurred a loss of HK$202,239,000 to the consolidated profit for the year ended 31 December 2019 in aggregate.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit for the year from continuing operations of the Group would have been HK$51,816,130,000 and HK$9,822,150,000, respectively.

44 Disposal of subsidiaries

Other than disposal of subsidiaries in relation to the discontinued operations as disclosed in note 10, Jinmao lost control over certain subsidiaries during the year ended 31 December 2019 and 2018. Details of financial impact of Jinmao's disposals are summarised below:

	Note	*2019* HK$'000	*2018* HK$'000
Net assets/liabilities disposed of:			
Property, plant and equipment	12	1,175	3,925
Properties under development	14	9,198,216	13,506,712
Intangible assets	18	-	184
Deferred tax assets	37	26,554	6,606
Properties held for sale		1,263,812	-
Prepayments, other receivables and other assets		3,611,626	508,545
Tax recoverable		552,550	52,904
Cash and cash equivalents		2,001,405	2,599,581
Trade and bills payables		(672,495)	(237,370)
Other payables and accruals		(7,868,299)	(11,880,462)
Interest-bearing borrowings		(4,981,513)	(3,338,423)
Non-controlling interests		(908,519)	-
		2,224,512	1,222,202
Translation reserve		(59,220)	(45,666)
		2,165,292	1,176,536
Gain on disposal of subsidiaries	5	1,156,681	85,431
		3,321,973	1,261,967
Satisfied by:			
Cash		1,877,668	13,696
Fair value of interests retained by the Group		1,444,305	1,248,271
		3,321,973	1,261,967

44 Disposal of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019 HK$'000	*2018* HK$'000
Cash consideration	1,877,668	13,696
Cash and cash equivalents disposed of	(2,001,405)	(2,599,581)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(123,737)	(2,585,885)

45 Contingent liabilities

At the end of the reporting period, Jinmao has provided guarantees in respect of mortgage facilities for certain purchasers of Jinmao's properties amounting to approximately HK$25,527,235,000 (2018: HK$27,205,088,000).

46 Commitments

(a) Capital commitment

The Group had the following commitments at the end of the reporting period:

	2019 HK$'000	*2018* HK$'000
Contracted but not provided for		
Properties under development	39,127,083	35,493,286
Land under development	2,582,519	1,787,457
Property, plant and equipment	4,954	226,136
Capital contributions to joint ventures and associates	5,863,605	3,050,246
	47,578,161	40,557,125
Authorised but not contracted for		
Property, plant and equipment	-	1,382,542
	47,578,161	41,939,667

46 Commitments (continued)

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties under operating lease arrangements. Leases for properties were negotiated for terms ranging from one to five years.

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

	2018
	HK$'000
Within 1 year	63,053
Over 1 year but within 5 years	70,319
	133,372

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(o), and the details regarding the Group's future lease payments are disclosed in note 36.

(c) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are HK$6,160,000 due within one year.

47 Related party transactions

(a) In addition to the transaction disclosed elsewhere in the financial statements, the Group entered into the following significant transactions with its ultimate holding company, Sinochem Group and other related parties during the year:

	2019	*2018*
	HK$'000	HK$'000
The ultimate parent:		
Sale of fertilisers	-	2,062
Purchase of fertilisers	66,534	237,336
Rental income	8,987	9,355
Interest expense	-	16,358

47 Related party transactions (continued)

	2019 HK$'000	*2018* HK$'000
The immediate parent:		
Interest income	169,500	270,483
Rental income	96,086	104,254
Property management fee income	13,291	13,300
Building decoration services income	3,168	-
Interest expense	117,198	8,814
Fellow subsidiaries:		
Sales of fertilisers	474,390	103,849
Sale of chemical products	-	733,663
Interest expense	153,259	68,467
Rental income	236,330	220,866
Building decoration service income	7,833	22,787
Property management fee income	44,124	41,596
Interest income	273,300	132,945
Proceeds received from sales of financial assets	224,655	118,260
Purchase of financial assets from related parties	-	350,546
Interests income for financial assets from related parties	15,579	-
Associates:		
Sales of fertilisers	6,567	49,601
Purchase of fertilisers	29,729	180,661
Interest income	893,450	214,117
Interest expense	6,527	12
Building decoration service income	279,312	98,500
Consulting fee income	68,783	28,532
Property management fee income	54,448	41,748
Joint ventures:		
Sale of fertilisers	254,988	312,273
Rental income	4,310	1,904
Building decoration service income	302,688	82,408
Property management fee income	104,528	45,007
Interest income	1,823,941	883,065
Consulting fee income	37,788	32,802
Purchase of fertilisers	1,402,112	1,367,303
Interest expense	55,061	-
Consulting fee expense	269,922	168,622

47 Related party transactions (continued)

	2019 HK$'000	*2018* HK$'000
Associates of the Group's ultimate parent:		
Sale of fertilisers	97,801	532,436
Rental income	9,266	43,448
Property management fee income	39	5,885
Interest income	-	99,622
Purchase of fertilisers	1,101,616	1,435,420
Interest expense	-	1,948
Substantial shareholders:		
Interest income	34,134	-
Interest expense	52,819	-
Purchase of fertilisers	794,937	-

(b) At the end of the reporting period, certain bank borrowings granted to the Group are guaranteed by its ultimate parent or immediate parent.

(c) Compensation of key management personnel

	2019 HK$'000	*2018* HK$'000
Short-term employee benefits	86,535	84,939
Post-employment benefits	3,811	3,109
Share-based payments	7,001	1,711
Total compensation paid to key management personnel	97,347	89,759

(d) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the Chinese government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under Sinochem Group which is controlled by the Chinese government. Apart from the transactions with Sinochem Group and fellow subsidiaries and other related parties as disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider that those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

47 Related party transactions (continued)

During the year, the Group conducted business with other state-owned entities ("SOEs") including, but not limited to, borrowings, deposits, the sale of properties developed, crude oil, refined petroleum products and chemical products, the provision of property lease and management services and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs were activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

48 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest		
Name of subsidiary	*Place of incorporation/ registration*	*Issued ordinary/ registered share capital*	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
Jinmao (note a)	Hong Kong	HK$11,769,524,490	35.06%	-	Investment holding
Sinochem International Oil (Hong Kong) Company Limited	Hong Kong	HK$20,000,000	100.00%	-	Investment holding
Sinochem Asia Holdings Co., Ltd.	Singapore	US$50,642,154	100.00%	-	Investment holding
Sinochem Europe Holdings PLC	United Kingdom	US$13,031,000	100.00%	-	Investment holding
Sinochem Overseas Capital Company Limited	British Virgin Islands ("BVI")	US$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Offshore Capital Company Limited	BVI	US$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Overseas Trading Co., Ltd.	BVI	US$1	100.00%	-	Investment holding
Sinochem CP Co., Ltd.	BVI	US$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Global Capital Co., Ltd.	BVI	US$1	100.00%	-	Financing vehicle for issuance of capital securities
Shanghai International Shipping Service Centre Co., Ltd. (note b)	PRC/Mainland China	RMB3,150,000,000	-	35.06%	Property development
Sinochem Franshion Property (Beijing) Co., Ltd. (note b)	PRC/Mainland China	US$635,000,000	-	35.06%	Property development
Chongqing Xingqian Properties Development Co., Ltd. (note b)	PRC/Mainland China	RMB2,884,540,000	-	25.59%	Property development
Jinmao Hangzhou Property Development Co., Ltd. ("Jinmao Hangzhou") (note b)	PRC/Mainland China	RMB3,200,000,000	-	35.06%	Property development
Nanjing Xingtuo Investment Co., Ltd. (note b)	PRC/Mainland China	RMB2,400,000,000	-	28.05%	Land development
Beijing Chemsunny Property Co., Ltd. (note b)	PRC/Mainland China	US$102,400,000	-	35.06%	Property investment
Jinmao (China) Hotel Investments and Management Limited ("JCHIML") (notes b and c)	Cayman Islands/ Hong Kong	HK$2,000,000	-	23.41%	Investment holding
Wangfujing Hotel Management Co., Ltd. (note b)	PRC/Mainland China	US$73,345,000	-	23.41%	Hotel operation
China Jin Mao Group Co., Ltd. (note b)	PRC/Mainland China	RMB2,635,000,000	-	23.41%	Hotel operation and property investment
Jin Mao (Beijing) Real Estate Co., Ltd. (note b)	PRC/Mainland China	RMB1,600,000,000	-	23.41%	Hotel operation
Jin Mao Sanya Resort Hotel Co., Ltd. (note b)	PRC/Mainland China	RMB300,000,000	-	23.41%	Hotel operation
Jin Mao Sanya Tourism Co., Ltd. (note b)	PRC/Mainland China	RMB500,000,000	-	23.41%	Hotel operation

48 Investments in subsidiaries (continued)

Name of subsidiary	*Place of incorporation/ registration*	*Nominal value of issued capital/registered capital*	*Proportion of ownership interest* Held by the Company	*Proportion of ownership interest* Held by a subsidiary	*Principal activity*
Jin Mao Shenzhen Hotel Investment Co., Ltd. (note b)	PRC/Mainland China	RMB700,000,000	-	23.41%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd. (note b)	PRC/Mainland China	RMB100,000,000	-	23.41%	Hotel operation
Changsha Jin Mao Meixi Lake International Plaza Properties Limited (note b)	PRC/Mainland China	US$600,000,000	-	35.06%	Property development
Jin Mao Investment (Changsha) Co., Ltd. (note b)	PRC/Mainland China	RMB3,750,000,000	-	28.05%	Land development
Franshion Brilliant Limited (note b)	BVI/Hong Kong	US$1	-	35.06%	Investment holding
Franshion Properties (Suzhou) Limited (note b)	PRC/Mainland China	US$395,000,000	-	35.06%	Property development
Guangzhou Xingtuo Properties Limited (note b)	PRC/Mainland China	RMB 260,000,000	-	31.55%	Property development
Changsha Jinmao City Construction Limited (note b)	PRC/Mainland China	RMB2,962,500,000	-	35.06%	Land development
Shanghai Jin Mao Economic Development Company Ltd. (note b)	PRC/Mainland China	RMB30,000,000	-	35.06%	Property development
Jinmao Assets Management Limited Partnership (note b)	Cayman Islands/ Hong Kong	RMB11,811,608,710	-	35.06%	Property investment
Suzhou Anmao Property Co., Ltd. ("Suzhou Anmao") (note d)	PRC/Mainland China	RMB4,500,000,000	-	9.29%	Property development
Ningbo Xingmao Property Development Co., Ltd. (note b)	PRC/Mainland China	US$200,000,000	-	35.06%	Property development
Shanghai Franshion Development Co., Ltd. (note b)	PRC/Mainland China	RMB7,000,000,000	-	31.55%	Property development
Nanjing Runmao Property Development Co., Ltd ("Nanjing Runmao") (note e)	PRC/Mainland China	RMB3,000,000,000	-	9.64%	Property development
Beijing Franshion Tuoying Property Development Co., Ltd. (note b)	PRC/Mainland China	RMB10,000,000	-	35.06%	Property development
Foshan Maoxing Property Development Co., Ltd. (note b)	PRC/Mainland China	RMB820,000,000	-	22.79%	Property development
Beijing Jinfeng Property Development Co., Ltd. (note b)	PRC/Mainland China	RMB11,112,000	-	35.06%	Property development

(a) Jinmao is accounted for as a subsidiary of the Group based on the factors explained in note 3 to the consolidated financial statements even though the Group has only a 35.06% equity interest in this company.

(b) Jinmao holds more than 50% of the registered capital of these entities or the parent company of these entities. Therefore, these entities are accounted for as subsidiaries by virtue of the Company's control over them.

(c) Ordinary shares of JCHIML are stapled to units of a trust namely Jinmao Hotel, which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. JCHIML and its subsidiaries are collectively referred to as the JCHIML Group.

(d) Jinmao is entitled to 52% voting rights at the shareholders' meetings, and therefore has the power to exercise control over the entity's operating and management activities. Since Jinmao is a subsidiary of the Company, the entity is accounted for as a subsidiary by virtue of the Company's control over it.

(e) Jinmao is entitled to 57.5% voting rights at the shareholders' meetings, and therefore has the power to exercise control over the entity's operating and management activities. Since Jinmao is a subsidiary of the Company, the entity is accounted for as a subsidiary by virtue of the Company's control over it.

48 Investments in subsidiaries (continued)

The following table lists out the information relating to certain subsidiaries which were acquired or established by the Group and have material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2019			
	Jinmao HK$'000	*Nanjing Runmao* HK$'000	*Suzhou Anmao* HK$'000	*JCHIML Group* HK$'000
NCI percentage	64.94%	90.36%	90.71%	76.59%
Profit/(loss) for the year allocated to non-controlling interests	6,570,055	(44,999)	227,399	214,384
Dividends declared to non-controlling interests	4,742,452	-	-	455,034
Accumulated balances of non-controlling interests at the reporting date	82,245,368	2,947,051	4,732,459	4,545,316
Current assets	191,592,959	8,241,673	10,802,455	1,000,482
Non-current assets	172,486,642	3,600,866	420	19,105,764
Current liabilities	183,946,217	8,221,663	4,273,651	9,365,448
Non-current liabilities	84,289,896	359,007	1,303,073	4,645,621
Revenue	49,261,020	2,253	1,850,882	2,810,584
Profit/(loss) for the year	9,804,404	(49,801)	250,690	279,909
Total comprehensive income for the year	8,857,313	(49,801)	250,690	174,092
Cash flows generated from operating activities	22,836,700	5,251,038	4,241,491	704,651
Cash flows used in investing activities	(22,320,804)	(961)	(1,306,580)	(159,125)
Cash flows used in financing activities	(5,215,833)	(3,966,881)	(2,807,197)	(606,600)
Net decrease/(increase) in cash and cash equivalents	(4,699,937)	1,283,196	127,714	(61,074)

	2018				
	Jinmao HK$'000	*Sinofert* HK$'000	*Suzhou Anmao* HK$'000	*JCHIML Group* HK$'000	*Jinmao Hangzhou* HK$'000
NCI percentage	50.15%	47.35%	86.79%	66.71%	75.07%
Profit/(loss) for the year allocated to non-controlling interests	5,651,521	291,534	(31,947)	197,566	24,248
Dividends declared to non-controlling interests	2,854,935	7,752	-	483,074	-
Accumulated balances of non-controlling interests at the reporting date	70,162,662	3,701,705	4,410,783	4,413,488	2,732,912
Current assets	168,257,621	13,350,517	9,577,582	1,156,348	9,109,208
Non-current assets	141,763,105	6,744,842	12,728	19,422,889	3,211,042
Current liabilities	139,342,299	11,383,407	3,298,512	9,914,946	8,679,914
Non-current liabilities	81,354,279	447,822	1,206,323	4,010,704	-
Revenue	45,805,252	27,195,457	-	3,033,293	-
Profit/(loss) for the year	8,723,714	578,250	(36,811)	296,144	32,299
Total comprehensive income for the year	2,909,784	272,945	(36,811)	42,863	32,299
Cash flows generated from/(used in) operating activities	2,379,226	(954,747)	(1,187,848)	825,199	1,347,919
Cash flows used in/(generated from) investing activities	(23,165,543)	3,974,476	(652,060)	(250,013)	(1,894,098)
Cash flows generated from/(used in) financing activities	22,985,269	(2,667,601)	2,032,305	(765,388)	(1,219,839)
Net increase/(decrease) in cash and cash equivalents	2,198,952	352,128	192,397	(190,202)	(1,766,018)

49 Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

The comparative consolidated statement of comprehensive income has been re-presented as the businesses of the companies mentioned in note 10 were disposed of during the year. Certain comparative figures have been re-classified to conform to the current year's presentation.

50 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in the financial statements. These developments include the followings which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them are unlikely to have a significant impact on the consolidated financial statements.

51 Events after the reporting period

(a) On 12 March 2020, Beijing Franshion Yicheng Properties Company Limited ("Yicheng Properties"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Sinochem Asset Management Co., Ltd. ("Sinochem Asset"), pursuant to which Yicheng Properties agreed to acquire 100% equity interests of Wuhan Huazi Enterprise Management Consulting Co., Ltd. ("Wuhan Huazi") from Sinochem Asset at a cash consideration of HK$7,646,655,000. Wuhan Huazi and its subsidiaries are principally engaged in the development, construction and operation of real estate projects in Qingdao, Tianjin and Wuhan, the PRC. Upon completion of the acquisition, Wuhan Huazi will become a wholly-owned subsidiary of the Group. Jinmao is in the process of seeking approval from its independent shareholders in respect of the aforesaid acquisition, and will publish an announcement on the voting results of the general meeting in due course.

(b) On 13 March 2020, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, has completed the issue of the medium-term notes with an aggregate principal amount of HK$2,790,750,000. The medium-term notes have a term of 3 years with a fixed rate of 3.1% per annum.

51 Events after the reporting period (continued)

(c) On 18 February 2020, China Jin Mao (Group) Co. Ltd. ("China Jin Mao (Group)"), a non wholly-owned subsidiary of the Company, has completed the issue of the super & short-term commercial paper in the national interbank market in the PRC, of an amount of HK$893,040,000 and with a maturity period of 270 days and an interest rate of 2.9% per annum.

On 19 March 2020, China Jin Mao (Group) has completed the issue of the medium-term note in the national inter-bank market in the PRC, of an amount of HK$558,150,000 and with a maturity period of three years and an interest rate of 3.28% per annum.

(d) The unexpected outbreak of coronavirus (COVID-19) has produced an adverse impact on the economy, including the real estate sector, in Mainland China in 2020. It is expected that the performance of the Group's hotel operations and the commercial leasing and retail operations in the first half of 2020 will be negatively affected. Besides, the pandemic also created uncertainties on the Group's city operations and property development operation.

Management of the Group will actively take measures to control the operating and labor costs of its hotels, pay attention to cash flow management, integrate external resources and adjust business plans to make full preparation for business recovery after the pandemic.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.